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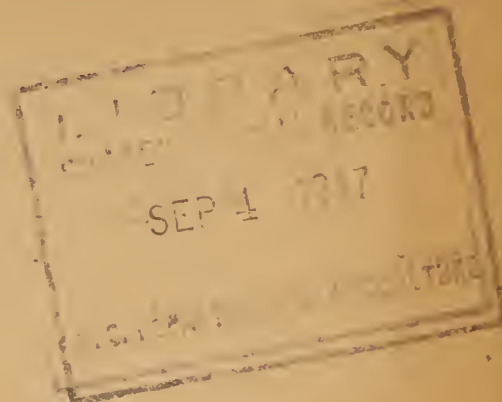


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UNITED STATES DEPARTMENT OF AGRICULTURE  
PRODUCTION AND MARKETING ADMINISTRATION

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Exp-2



ANNUAL REPORT OF MARKETING FACILITIES BRANCH

FISCAL YEAR ENDED JUNE 30, 1947

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Washington, D. C.





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# ORGANIZATION CHART OF THE MARKETING FACILITIES BRANCH

Market Organization and Facilities Division	Warehouse Supervision Division	Transportation Facilities Division	Transportation Rates
J. S. Larson, Acting Chief	H. S. Yohe, Chief	J. C. Winter, Chief	C. B. Bowling, Chief
Functions:-	Functions:-	Functions:-	Functions:-
Planning and promoting market facilities	Administering the United States Warehouse Act, and inspecting warehouses used by the Commodity Credit Corporation for the storage of certain commodities.	Studying transportation requirements; determining adequacy of transportation facilities; ties; developing and carrying on programs dealing with transportation shortages; serving as liaison with other Government agencies on transportation problems; and conducting research on transportation methods, practices, and equipment.	Handling freight rate cases before transportation regulatory bodies in an effort to obtain equitable water, rail, and truck rates on farm products; and serving other agencies of the Department in quoting freight rates and providing other transportation information needed by such agencies in the conduct of their programs.
dies of storage facilities and methods;			
determining best methods of handling frozen foods; making studies of adequacy of storage space and conducting programs to deal with shortages; and issuing regular reports on cold storage warehouse capacity, holdings, and space occupancy, and special reports on cold storage subjects.			



## SUMMARY

### Introduction

The Marketing Facilities Branch has been assigned the function of carrying on the work of the Department of Agriculture pertaining to the physical handling of farm and food products as they move through the marketing channel. This includes the development of plans and promotion of construction of proper market facilities for the assembly and distribution of all products; finding out how handling costs can be reduced by use of proper kinds of equipment; the conduct of all transportation programs designed to obtain adequate transportation facilities and equitable freight rates; and the development and operation of storage programs, including the development of better storage facilities and methods, and the supervision of warehouses licensed under the United States Warehouse Act as well as some used by the Department for the storage of commodities owned by it. The objective of all the work done by the Branch is to improve the physical handling of farm products throughout the marketing channel in order to reduce the cost of distribution, expand outlets for products of the farm, and bring about a more rapid and more orderly flow of products through the marketing system.

The activities of the Branch are carried on by four Divisions: the Market Organization and Facilities Division, the Warehouse Supervision Division, the Transportation Facilities Division, and the Transportation Rates and Services Division. The purpose of this report is to record some of the more important activities of each of these Divisions for the fiscal year ended June 30, 1947, and to point out some of the additional action that should be taken to bring about a more efficient marketing system. This summary presents some of the high lights of the work, while the pages which follow set forth in more detail the work of the Divisions.

It will be noted that the work of this Branch consists solely of those activities which cut across commodity lines and can therefore be handled best on a cross-commodity basis. To illustrate, the large city wholesale markets that are planned and promoted by this Branch are places that handle fruits, vegetables, poultry, eggs, butter, cheese, and many other commodities; therefore the planning of these facilities must encompass all the commodities handled within them. Similarly, an improved refrigerator car or truck must be designed to handle all perishable commodities transported in such equipment. Freight rate actions usually involve many commodities, and must be dealt with on a cross-commodity basis. In the storage field the problems of warehouse construction and operation, physical handling within the warehouse, adequate low-cost financing on stored stocks, warehouse location, and adequacy of space are essentially the same for one type of commodity as for another. Indeed, many different commodities are actually stored in the same warehouses. The development of facilities for handling frozen foods encompasses the handling of all kinds of frozen foods--



fruits, vegetables, cooked foods, meats, fish, etc.--and plans for improved handling must consider all these commodities. While this Branch is essentially a cross-commodity branch, it carries on much of its work in cooperation with commodity groups.

Since the Branch is concerned with the improvement of physical handling all the way from the farmer to the consumer, its activities require extensive cooperation with other agencies working in the marketing field. During the past year many studies have been carried on in cooperation with State Agricultural Colleges, State Departments of Agriculture, Bureaus of Markets, and other State agencies. Many of the actions on freight rates have been carried on in cooperation with State Public Service Commissions. There has been extensive cooperation with city officials, Chambers of Commerce, transportation agencies, warehousemen, and trade and farm organizations. Indeed, without the support and cooperation of these agencies in carrying on the work, it would not have been possible to have covered as much territory with the limited resources available to this Branch. Therefore, much of the credit for accomplishments on the activities in which we have been engaged should go to the many groups and agencies that have worked so closely with us in trying to find the answers to some of the problems involved in improving the physical handling of farm products.

#### I. PLANNING NEW OR IMPROVED MARKET FACILITIES

During the past year there has been a greater surge of interest in improving market facilities than in any previous year probably for three reasons: (1) A great deal of attention was given to this work in Title II of the Research and Marketing Act. (2) The work done on the subject in previous years is beginning to have a cumulative effect in the development of interest throughout the country in getting solutions to the problem. (3) Many localities are desirous of including improved market facilities in their postwar building plans.

At the close of the year studies of market facilities were being conducted in 24 localities, located in every part of the United States. In some cities non-profit corporations have already been established by the States to build the facilities recommended; financing has been arranged; and land has been bought. In others, construction is actually under way, while in still others the studies have merely begun. In planning these market facilities for farm and food products both in the large metropolitan areas and in the producing regions, it is necessary to make careful studies of the operations of the existing markets to find out specifically what their inefficiencies and inadequacies are, what areas they serve, and how they operate, before proceeding to plan the improved facilities. The facilities recommended must, of course, reduce to a minimum all handling costs in the market, and thus bring about a real improvement in the efficiency of handling; otherwise, there would be no justification for the change. Therefore, the Branch, in going into a locality, makes a complete study, in cooperation with State and local groups, of the existing market and what the costs of



operating in it are; determines what kind of facility is needed, what it will cost, where it should be located, how much land would be required, what savings would result from operating in the proposed facility, how it could be financed, and how it should be operated to bring the best results.

In order to handle the various aspects of studies of this kind, the Branch has on its staff marketing specialists for each of the major commodity groups, an architectural engineer, an equipment specialist, and others with special skills required. Therefore market plans are drawn to fit the needs of the particular locality. When all the necessary information has been obtained and analyzed, and the tentative plan to be proposed completed, representatives of the Branch, before publishing a report, meet with all the local groups interested in the improvement of the market facility involved--farmers, distributors, retailers, transportation agencies, warehousemen, city officials, Chambers of Commerce, and others--in order to present the findings of the study and the tentative recommendations. At this meeting a model is set up which shows exactly how the proposed new facility would look and how it would operate. After a complete exchange of views at such a meeting, it is then possible to make the necessary refinements in the proposed recommendation and proceed with the publication of the final report.

The mere publication of a report recommending the construction of certain market facilities is not the ultimate objective of the work. The issuance of the report is simply one step in the effort to get the new facility constructed and into use. Therefore, after the report is issued, the Branch continues to work with the local people in drawing up any necessary legislation; arranging for financing; getting a proper operating board created to manage the facility; explaining the plans to the local architect who is employed to supervise the construction; working with the railroads in arranging for proper track locations and switching service, and with power companies and other utilities for the proper location of their lines; and carrying on any other type of activity necessary to get the recommended facility built.

The benefits of establishing these improved facilities consist of reducing the cost of distribution by the elimination of unnecessary cartage and other excess handling; diminishing financial and physical losses from spoilage and deterioration; bringing about considerable savings of time of farmers, dealers, truckers, and buyers; facilitating trading and proper price-making by bringing together in one area a complete line of commodities, properly graded, packed, and displayed for sale; and thus giving the farmer a better outlet for his products and the consumer higher quality commodities at lower prices. In areas where no market facilities exist, the needed facilities will make it possible for farmers to grow and market products for which their soil and climate is suited.



In the pages which follow are brief statements of the status of work in planning these market facilities for handling fruits, vegetables, poultry, eggs, meat, butter, fish, frozen foods, etc. in the various localities where work was carried on during the past year, including Hartford; New Haven; Baltimore; Columbus, Ohio; Cleveland; St. Louis; Houston; Dallas; San Antonio; Baton Rouge; Jackson, Mississippi; Atlanta; Tampa; Miami; Columbia, South Carolina; and Richmond.

During the past year it was possible to expand this work of planning market facilities to include studies of methods of handling within the facility. In most markets handling between railroad cars and trucks and stores and the movement from one place to another within a building are carried on largely by hand. The increased labor costs and difficulty in obtaining a sufficient supply of labor have focused attention on the need for modernizing these methods of handling within market facilities and warehouses by the development and installation of certain kinds of equipment. Therefore, in cooperation with trade groups, the Branch has begun a study of the comparative costs of handling under varying situations involving the use of no equipment, two-wheel trucks, four-wheel trucks, skids, conveyors, pallets, and the like. Obviously each kind of equipment is worthwhile in cutting handling costs only under certain conditions; therefore the objective of this study is to determine what kind of equipment is best for each situation and how much handling costs can be reduced through its use. Because of increased competition and the desire to get marketing charges down, there is widespread interest in these equipment studies. Of course, the use of proper equipment within a facility is a very necessary addition to the undertaking of planning a proper facility. Sample studies thus far completed show that in a given situation, with the right kind of facilities and equipment, as much work can be done in 2 man hours as can be done in 8 man hours with less modern facilities and equipment.

Another new activity undertaken by the Branch in this field during the past year is an effort to find improved methods of handling frozen foods. The frozen food industry is a comparatively new industry and offers considerable promise not only for reducing the cost of moving commodities from the farm to the consumer, but also in expanding outlets for farm products by giving a more even geographic and year-round distribution. In order to get the maximum results from this new method of distribution, it is, of course, important that the frozen food industry have the most efficient methods of handling possible. It is not enough to freeze and pack only the proper quality commodity at the right cost. This quality must be maintained throughout the distribution channel by proper handling, and the costs of such handling must be kept low enough to make possible mass distribution.

To illustrate, a refrigerator car that can transport frozen foods at zero temperature is needed. Therefore during the year the Branch successfully carried on an experiment of a new method of refrigerating railroad cars which provided zero temperatures within the car for a 10-day period, during which the outside temperature was maintained at



90 degrees. Before this method of refrigeration can be put into common use, additional work is necessary, but a start has been made. Similarly, studies are being made of the warehouse handling of frozen foods, and we contemplate making studies when resources permit of the best methods of handling these frozen products in the wholesale markets and the retail stores.

## II. WAREHOUSING FACILITIES

Since most agricultural products are seasonally produced, but are consumed throughout the year, it is necessary to have a sufficient supply of properly located, properly built warehouses for holding the commodities for varying periods of time. Without such warehouses there would be gluts on the market at harvest time and shortages of the products at other seasons of the year, thus reducing not only farm income but the general standard of living of the people. For this reason the Branch is concerned with the planning of modern warehouse facilities in areas where they are needed and with the provision of a sufficient supply of warehouse space to meet the needs.

This work in the storage field covers refrigerated warehouses, cotton warehouses, grain warehouses, and houses storing tobacco, wool, and other agricultural and food commodities. The problems involved in the facilities for storing these commodities are very similar in that the proper kind of facility is needed to give the necessary protection, handling charges must be reasonable, the location most economical from the standpoint of the flow through the distribution channel must be selected, the right kinds of equipment must be used within the warehouses to minimize the cost of handling in and out, and the right kind of supervision and use of warehouse receipts is necessary in order to enable the storers of products to obtain low-cost financing throughout the storage period. Within the limits of its resources the Branch is doing what it can to find the correct answers to problems of this nature.

In addition to its attempts to get better storage facilities, better methods of operating existing facilities, and better storage practices, the Branch has done a great deal of work during the past year in an attempt to make sure that the proper steps are taken to avoid shortages of warehouse space. To illustrate, studies have been made to determine in advance of the season what the storage requirements are for the various products, what the warehouse capacity in each area is, and where sufficient space is likely to be available. On the basis of these studies the problem areas are located, and programs are developed and carried out for solving the problem. During the past year work in this field has been restricted to refrigerated warehouse space in certain areas for certain commodities and to grain storage, because there has been sufficient space for handling all other types of farm products.

In the cold storage field the Branch makes regular surveys of the capacity of all cold storage warehouses in the country by types of space, by types of warehouses, and by areas. It also obtains from all these



refrigerated warehouses monthly reports on the quantities of each commodity stored in them and the amount of space occupied, and on the basis of these reports issues a regular monthly report on cold storage holdings and space occupancy. These reports on cold storage capacity, holdings, and occupancy provide the basic data needed not only for conducting warehousing programs in this field, but also for planning commodity programs where it is necessary to know the storage stocks of each commodity in each area. The reports are widely used by farm and trade groups and bankers who are concerned with the actual distribution of perishable foods.

In addition to these regular reports on capacity, space occupancy and holdings, a number of special reports are issued from time to time. Included in this group during the past year, reports were released or are in process of preparation on apple storage, egg storage, meat storage, the quantity of frozen fruits and vegetables in storage by size of package, an annual summary of cold storage stocks, a directory of all refrigerated warehouses in the country, and a compilation of State laws affecting cold storage warehouses.

The work carried on during the past year on each of these subjects is explained briefly in the following pages of this report.

### III. WAREHOUSE SUPERVISION

The Branch conducts two types of warehouse supervision services: (1) the administration of the Warehouse Act and (2) the approval and supervision of warehouses used by the Commodity Credit Corporation for storing certain products which it owns.

About 1,300 warehouses are licensed under the United States Warehouse Act. Through these warehouses during the past fiscal year more than 4 billion dollars' worth of farm products moved, with no storer of any product suffering financial loss because of any mishandling or improper storage practice engaged in by the warehouseman. The cost of maintaining this system of warehouse supervision, capable of providing this insurance against loss, was about \$1.00 for every \$7,400 worth of products stored.

The purpose of the Warehouse Act is to protect agricultural commodities from physical loss while they are being stored and to protect the storers of the commodities or the holders of warehouse receipts from financial loss. The law authorizes the Secretary to license warehousemen who can meet the requirements of the Act and the regulations that have been promulgated thereunder. To make sure that the requirements can be met, warehouses are inspected before they are licensed to determine whether the warehouseman has the proper facility for storing the product in question, whether this facility is properly equipped to care for the product, and whether the financial responsibility and reputation of the warehouseman are satisfactory; also, to ascertain that the warehouse has proper scales and inspection



equipment, that its employees are competent to perform their respective duties, and that the property is legally under the control of the warehouseman.

After the warehouse has been approved and licensed, subsequent inspections are made, usually about four times a year, to determine that products of the right quality, grade, and condition are back of each outstanding warehouse receipt. Thus, the supervision service goes beyond an examination of facilities and covers, in addition, verification of inventories, inspection of stocks, and a general appraisal of the warehouseman and his operations, financial structure, and dealings with the public.

At present the following products can be stored under the Warehouse Act: cotton, grain, wool, tobacco, sirups, dry beans, broomcorn, cottonseed, cherries in brine, dried fruits, canned fruits and vegetables, cold pack fruit, and seeds. During the past year there has been a considerable increase in demand from grain warehousemen to come under the Act. The volume of cotton warehouse space under license has declined somewhat because the storage stocks of cotton during the year reached such a very low level. In addition to the regular work of supervising the warehouses licensed under the Act, special investigations were made during the year in connection with irregularities in the storage of cotton, all of which involved criminal action. The offenses in all these cases were quite similar and involved the changing of weights on warehouse receipts and the selling of receipts and converting the proceeds to the use of the party selling the receipts, but the holders of the receipts did not suffer financial loss.

During the year several requests were received for storing commodities that are not now on the eligible list for storage under the Act, but sufficient resources are not available to permit the extension of coverage to other commodities. Indeed, we are being hard-pressed to be able to license and properly supervise the warehouses presently under the Act and those eligible to come into the system.

During the year the scope of the authority under the Act received its first test before the United States Supreme Court. That body, on May 5, 1947, handed down a decision, by a 7-to-2 vote, holding that the Secretary of Agriculture has exclusive jurisdiction over all licensees with respect to all subjects covered by the Act, including control over rates and charges, prohibition of discrimination among depositors in warehouses with respect to both rates and services, and operations of the warehousemen generally. This decision therefore would seem to settle the question as to whether warehousemen can at the same time be subject to regulation by both the State Warehouse Commissions and the United States Warehouse Act. This possibility of dual regulation over a warehouseman by two bodies has been especially troublesome to a number of warehousemen in the past, some of whom have refrained from coming under the United States Warehouse Act in order to be sure that they would not be placed in a position of receiving directions from two



sources. Now that the Court has made it clear that when they do come under the Warehouse Act, they are subject only to the jurisdiction of the Department on these matters, there has been a significant increase in applications of warehousemen for licenses.

With respect to warehouses in which the Commodity Credit Corporation stores products, during the past year this Branch inspected storage facilities which the Corporation proposed to use for the storage of some of its commodities to see that they were proper facilities and constituted a safe place for the property of the Corporation to be placed. Generally speaking, whenever possible, these facilities were inspected before the property was placed in the warehouse so that if the facility were not approved, storage could be arranged in some other facility.

In addition to inspecting and approving or disapproving the facility prior to storage, this service included inspections about every 60 days of the commodities stored in the approved warehouses to see that they were in proper condition and to account for the quantity stored in each facility. If products were found to be deteriorating or in any manner improperly stored, reports were made to the Shipping and Storage Branch with appropriate recommendations for action. These warehouse inspections did not apply to all warehouses used by the Corporation, but did extend to products stored in refrigerated warehouses, fish, flour, dried beans, cereals, etc. The principal commodities not included were cotton, tobacco, grain, wool, and peanuts.

By coordinating this inspection of warehouses storing for the Commodity Credit Corporation with the administration of the Warehouse Act, it was possible to make significant reductions in the total number of examiners employed and in the total number of field offices maintained. In areas where there was an insufficient number of warehouses storing for the Corporation to justify maintaining a specialized inspection force for that work, the task of inspecting warehouses used by the Corporation was assigned to examiners operating under the Warehouse Act. In such cases, of course, a record was kept of the time spent by these examiners on the inspection of houses used by the Corporation in order that the Warehouse Act would not be charged for services outside licensed warehouses.

#### IV. TRANSPORTATION FACILITIES

In this second postwar year transportation difficulties have continued to be very serious, frequently impeding and delaying the flow of farm products to markets and of supplies to the farm. Emergency conditions under which railroads have been operating since before the war have become aggravated due to the large volume of traffic to be moved and the depletion of railroad equipment. The number of freight cars in use is now at a new low since the war, following two and a half years in which replacements have lagged behind retirements. Serviceable freight cars of all types have dwindled from a total of 1,695,545 on



May 1, 1943, to 1,663,712 as of May 1, 1947. Although some coastwise and intercoastal steamship lines are now back in operation, services have not been restored to prewar normal standards. Reconstruction and expansion in the trucking and truck manufacturing industries have improved truck facilities and services somewhat.

The two most troublesome problems in the transportation field during the past year from the standpoint of obtaining an adequate supply of equipment were those of obtaining sufficient refrigerator cars to move perishables and boxcars to move grain. Throughout the year regular monthly forecasts have been made of the quantity of perishable products that would have to be moved in refrigerator cars. These forecasts have been used by railroads, shippers, and private car lines in the distribution of the car supply in order to assist in utilizing that supply as effectively as possible. The forecasts are furnished to the Office of Defense Transportation, the Interstate Commerce Commission, the Association of American Railroads, and many other groups. In order to assist further in getting the maximum use of the restricted supply of refrigerator cars, a representative of the Branch has regularly attended and participated in the meetings of the Refrigerator Car Lines Advisory Committee, and has advised with that Committee and the transportation agencies on emergency steps that could be taken to aid in coping with shortages. Of course, there was a seasonal aspect to the shortage of refrigerator cars, but some parts of the country were in difficulty for a considerable part of the year. In handling perishable commodities, which, of course, cannot be held for any length of time awaiting the arrival of cars, it is particularly important to forecast the difficulties and make all the arrangements that can be made in advance to take care of the situation.

The movement of the unprecedented volume of grain produced in the 1946-47 crop year presented critical problems. At no time from the beginning of the harvest until December 1946 were there enough cars available in the grain-producing States to move the wheat and other small grains needed by the flour mills and other domestic users and to take care of the export program. As a consequence, terminal stocks were at a dangerously low level in October and November. Priorities had to be employed for the movement of export wheat to maintain the necessary flow to ports.

The Branch made a special analysis of the grain storage and transportation situation early in October and transmitted it to officials of the Office of Defense Transportation, the Interstate Commerce Commission, and the railroads, pointing to the desperate need to increase the carloadings of grain, which had been running approximately 15 percent below those of the previous year. Later orders were issued by the Interstate Commerce Commission directing an increased supply of empty cars from the eastern roads to western grain-loading lines, but it was not until late December that weekly loadings of grain and grain products equaled those of the previous year. Loadings continued at high levels during the winter and early spring months of 1947, but the



tremendous need for cars is evidenced by the daily car shortage reports of the Association of American Railroads, which ran to approximately 37,000 cars daily during that period. Of course, the magnitude of the spring shortages of cars was directly attributable to the failure of the transportation agencies to move enough grain in the fall months of 1946.

In advance of the harvest season last year, as for previous years, the Branch, in cooperation with other agencies in the Department, obtained information on the storage capacity, the amount of storage space unoccupied, and the expected production in each crop reporting district. This information was furnished to the railroads well in advance of the season, and was used as a basis for determining from what areas it was most necessary to move grain in order to avert later losses through lack of storage space. By stepping up the movement of grain from these critical areas in advance of harvest, it was possible to free additional space for taking care of the forthcoming crop. During the harvest season, from all the critical areas weekly reports were obtained showing the size of the harvest, the amount of grain on the ground, and the shortage of cars. These current reports were used to guide the distribution of cars during the season. By working closely with the transportation agencies, it was thus possible to alleviate many of the hardships which were caused by the shortage of boxcars for the movement of grain. This same work is being continued during the summer of 1947 in order to take care of the current harvest.

At certain seasons during the year there were shortages of ice in some areas which interfered with the proper icing and transportation of perishable commodities. In order to be able to handle these situations, a special study was made of ice requirements so that the ice industry, railroad officials, and others might be apprised of the amount of ice needed in these areas. In order to satisfy the requirements, it was necessary to move large quantities of ice from one area to another.

Because of the continuing shortages of railroad cars long after the war was over, the Branch undertook an investigation of the causes of car shortages by which it hoped to determine what kinds of action could be taken to bring about fundamental improvements in car supply rather than the more temporary kind of action to meet emergency situations. This investigation showed, of course, that the lack of an adequate supply of serviceable equipment was at the root of car shortages. Railroad ownership of all kinds of freight cars, including cars held for repairs, declined from 2,357,324 units in 1925 to 1,735,714 in May 1947. Production of new cars in the past several years was not sufficient to replace cars that were worn out and retired. While wartime orders of the Office of Defense Transportation and the Interstate Commerce Commission forced upon shippers many restrictions and requirements, such as capacity loading of cars, restricted reconsignment privileges, and penalty demurrage, no such penalties were required to encourage or enforce better utilization of cars by the railroads. These conditions



were brought to the attention of the proper authorities, and the Branch has done everything possible to encourage the construction of additional railroad equipment and a better utilization of the equipment currently available.

In addition to the work described above dealing with shortages of transportation equipment, the Transportation Facilities Division of the Branch has made a number of special studies in the transportation field. One of these was the study of the adequacy of transportation statistics currently available from various sources and the need for making additions to the regular census to include questions on transportation. The Division is represented on an interagency committee which made a recommendation on motortruck transport statistics and the need for their expansion. As in previous years, special analyses of transportation prospects for the coming year were made for use in determining the production goals. Analyses were made from time to time of proposed transportation legislation in order to determine the effects of such proposals on the economical transportation of farm and food products.

During the war years an Office of Transportation was created within the War Food Administration and the Department of Agriculture to coordinate the transportation activities within the Administration and the Department and later within the Production and Marketing Administration, and to serve as liaison with other agencies in transportation matters. Throughout the period of operation of that Office, its work closely paralleled the duties assigned to this Division. Inasmuch as the Transportation Officer was without staff, the Division throughout the war period worked very closely with that Office, and the Chief of the Transportation Facilities Division acted as Transportation Officer in the absence of that official from the city. In April 1947 the Office of Transportation was abolished, and all of its functions were transferred to this Branch and assigned to the Transportation Facilities Division.

#### V. TRANSPORTATION RATE ADJUSTMENTS

Because of rising costs of labor, equipment, and materials used by transportation agencies and readjustments in the nature of traffic which naturally follow a war period, this has been a very active year for carriers and shippers in seeking changes in transportation rates. At the beginning of the year the railroads, water lines, and trucks were seeking an over-all general rate increase in order to boost their revenues, and, failing to get all the increase they expected in the first case, they were again before the regulatory bodies as the year closed requesting further general increases. As a result of all of these developments, the transportation rate specialists of the Branch have completed their most active year in the history of this program. During the year they participated in 138 formal proceedings before transportation regulatory agencies, besides taking part in many informal actions before the carriers, groups of carriers, and regulatory bodies.



The estimated savings in transportation charges during the past fiscal year resulting from actions participated in by the Branch are estimated to be about \$189,000,000, which brings the total measurable savings from the work of its Transportation Rates and Services Division during the past 8 years to about \$950,000,000.

The most important single case participated in during the year was the general rate increase of 25 percent which was sought by the carriers in Ex Parte 162. The nature of this case was discussed in the annual report for last year, but the work was not completed until after the beginning of this fiscal year. In this case the railroads based their argument primarily on an estimate of a 20-percent reduction in traffic volume and the increased operating expenses resulting from increased wages and material costs. This Branch felt that the estimates of traffic volume were unduly pessimistic (as later events proved them to be), and that there had been some faulty calculation in the financial position and operating costs of carriers, each of which tended to overestimate the extent of the carriers' need for increased rates. Therefore we took the position that there should be a full and complete hearing to determine what the carriers' needs were, and at the hearing contended that at that time there was no justification for as great an increase as 25 percent. The decision reached by the Interstate Commerce Commission awarded the carriers an increase, effective January 1, 1947, estimated to be about 17.6 percent on farm products, whereas other types of tonnage were assessed increases ranging from 20 to 25 percent. Other modes of transportation, insofar as they could, have followed the lead of the railroads by making increases of similar proportions. They were in a position to do this largely because competition between different types of transportation during the past fiscal year has been restricted, since every type of transportation has been called upon to haul unprecedented peacetime tonnages. Indeed, far more tonnage has been offered than the carriers have had equipment to transport.

The second most important railroad rate case handled during the past year was the continuation of the work on the general freight rate in investigation on wool and mohair. It will be recalled from the previous annual report that we had sought this general investigation into these rates because our studies had shown that considerable change was needed in the level and rate structure of these commodities. In May 1947 our brief of 197 pages was filed with the Interstate Commerce Commission setting forth the history of the proceeding; the interest of the Department in the case; the subject matter of the case; the present wool rate structure; the need for reasonable rates for the future; the kind of transit arrangements needed; proposed rates, minimum weights, and practices for shipping domestic wool; an explanation of the character and qualifications of witnesses; and a summary of all evidence. Counsel for the Department relied upon precedent established in 44 cases referred to in the brief to sustain the various points that were made in behalf of the proposed revised rate structure. The most important part of the brief was that which proposed rates that should be assessed for the future. These recommendations, if adopted, would



bring about a substantial reduction in rates, and there was a unanimous agreement among the entire group of proponents as to the equitability of the scale set forth. As previously reported, in the conduct of this case we had the cooperation of a large number of farm and trade organizations operating on national, regional, and State levels and of many of the State Public Utilities Commissions. It is hoped that a final decision and order will be received in this case before the 1948 wool crop begins to move to market. This case is the largest single effort yet made by the Branch toward changing the freight rates on a particular commodity.

In addition to the rather extensive actions described above, there were many specific actions during the year on each of the following commodities in an effort to change or prevent changes of railroad rates on these commodities: fruits and vegetables, fertilizers, cotton, livestock, grain, and dairy and poultry products. Discussions of the nature and results of the most important of these cases will be found later in this report, but for the most part they affected the movement of certain commodities or commodity groups between certain areas, and therefore are actions which might be considered of regional concern as distinct from those which affect a large part of the Nation. Of course, many of these actions, to the groups affected, are fully as important as the rate adjustments sought in cases affecting the entire country.

For the first time the Branch was able actively to get into the field of adjustments in motortruck rates. Due to lack of resources the only work that we had been in a position to do in this field in previous years was that incidental to the other work. This year, for the first time the Congress made available sufficient resources to employ personnel to devote full time to motor freight rates. While adequate data are not available to show tonnage and ton miles of the various types of agricultural commodities and farm supplies transported by truck, it is known that motortrucks are very important in the transportation of most farm commodities at one or more stages in the marketing channel. It is common knowledge that nearly all farm products move on trucks on the first lap of their journey toward the consumer, and that they likewise move on trucks on the last part of the marketing channel--from wholesale markets to retail stores and thence to consumers. Such data as are available indicate that 57 percent of the livestock received at stockyards in 1946 arrived by truck, that 97 percent of the poultry arriving at Philadelphia and 88 percent of that arriving in New York came by truck, that 13 of the primary markets of the country received 40 percent of their fresh fruits and vegetables by truck, and that all of the milk received in 75 metropolitan areas was transported by truck. Thus, it is obvious that truck transportation is playing a major part in the movement of products through the marketing system.

In starting into our work in the motor carrier field, our first action consisted of making studies of motor carrier operations, expenses, and rate changes. These studies showed that while the motor carriers experienced considerable difficulty during 1945, 1946 brought substantial



increases in their volume of traffic and marked improvement in their operating revenues. Figures released by the Interstate Commerce Commission covering 1,408 Class I common carrier trucking lines showed that their net operating revenues increased from \$1,692,982 in 1945 to \$31,690,912 in 1946. Information presently available indicates that there will be a continued improvement in 1947 in the earnings of these carriers. Despite this favorable showing in earnings, motor carriers were given permission to apply the same increases to their rates as were authorized to be applied to rail rates in the general rate increase case known as Ex Parte 162. As a matter of fact, our studies show that it has been the practice for motor carriers to be permitted to take whatever increases are granted the railroads without showing a need therefor. It therefore has been the policy of the Branch, in handling rate actions involving motor carriers, to insist that no increases in rates be granted motor carriers simply because an increase has been granted to some competing form of transportation, but that increases in motor carrier rates should have to be justified on the basis of the showing made by the trucking lines. In other words, we have taken the position that motor carriers should stand on their own feet, and that their rate adjustments should not follow automatically the changes made in rates of other types of carriers which may be in need of increases.

Having reached the conclusion that changes in motor carrier rates should be made only after a showing of need from the motor carriers, the Branch quite naturally has been placed in the position of having to oppose any increases granted motor carriers without a full hearing at which complete evidence can be taken on the arguments for and against the proposed increase. In line with this policy, in those cases involving increased motor carrier rates affecting the movement of agricultural products and farm supplies where an opportunity has been afforded to present evidence, we have submitted extensive exhibits, testimony, and briefs showing the lack of need for increased rates. Most of these cases are now pending before the Interstate Commerce Commission so that the results of the action taken will not be known until some later date.

The main motor carrier actions in which we participated during the year were an effort to prevent general rate increases, and increases in Central territory, Middle Atlantic territory, Southern territory, New England territory, and Middlewest territory. In most of these cases we have taken the position that there should be no increases without a complete justification therefor, and have proceeded to show from the operating statements of the carriers involved that their earnings are already satisfactory or that they are already earning a fair rate of return on their invested capital. More information about the action taken on each of these cases appears later in the report.

In the water transportation field, evidence was presented before the Interstate Commerce Commission and the Maritime Commission in 16 separate formal proceedings, and 7 other actions were handled informally with the carriers or groups of carriers. The outstanding development of the year in the field of water carrier rates was the effort of the



water carriers not only to take the general increases granted the railroads, but their appearance before the Interstate Commerce Commission requesting further increases in railroad rates in order to make it possible for the water carriers to make still further increases in their rates without losing business to the rail carriers. Five of the 16 formal proceedings in which we participated were such actions. In these actions the Branch took the position that the different types of transportation--water, rail, and truck--should each stand on its own feet, and that the water carriers are not justified in seeking increases in rates of competing forms of transportation in order to make it possible for them to increase their own rates. It appears to us that, if the country is to get the full advantage of each type of transportation by getting the economic benefits inherent in each, all rate adjustments for water carriers, trucks, and railroads should be based on a proved need in each of the respective fields.

On March 31, 1947, the United States Supreme Court, by a 7-to-2 vote, upheld the position taken by this Branch in a case involving transportation rates on grain. The railroads had asked the Interstate Commerce Commission to approve higher rates for transportation from Chicago to eastern destinations of grain shipped by water to Chicago from points of origin on the inland waterways system than the rates charged by the railroads for transportation from Chicago to the same destinations of grain shipped by rail to Chicago from the same points of origin on the inland waterways system. Upon receipt of protests, the proposed rate increases on the ex-barge grain were suspended by the Interstate Commerce Commission pending an investigation. Upon investigation the Commission decided that the suspended increases were not unlawful, and later approved proportional rates on ex-barge grain that would be higher than the proportional rates on ex-rail grain originating at the same points on the inland waterways system. Since it was felt by this Branch that this decision would have a disastrous effect on water transportation of grain, the Department, in cooperation with the barge lines, asked the courts to set aside the decision of the Commission. The District Court upheld the position of the Department, and the Supreme Court upheld the decision of the lower court.

Some of the more specific water carrier rate activities handled during the year included the sponsoring of applications to the Interstate Commerce Commission for three new coastwise and intercoastal steamship operations, participating in a case involving an increase in rice rates, and representations concerning port charges at the various ports.

A table appearing later in this report shows the number of transportation rate actions conducted by the Branch during the past year affecting each of the 48 States. From this table it will be noted that no State was affected by fewer than 32 actions, which shows that in rendering this service of presenting evidence before transportation regulatory bodies in the interest of low-cost transportation on farm and food products, the Branch is attempting to serve every State in the Union



and is not confining its activities to cases that are of interest to particular areas or specialized groups. Since the carriers have well-trained people to present their side of the case to regulatory bodies, it is very important that some agency, such as this Branch, be able to put into the record of these hearings information that will adequately present the side of the farmer and the shipper. Otherwise, the regulatory bodies will not have a complete record because individual farmers are not in a position to appear before regulatory bodies to make their own case. Without a complete record the regulatory body is handicapped in reaching a proper decision as to what the rate structure and rate level should be. Thus, in these rate adjustment matters we consider it our function to assist in getting complete evidence before the regulatory bodies, thereby assisting them in reaching the proper conclusion. No attempt is made to go beyond this presentation of evidence on the side of the farmers and shippers because in carrying on this work we do not have or seek any privileges before the regulatory bodies that are not accorded all other participants in the cases.

## VI. MISCELLANEOUS TRANSPORTATION ACTIVITIES

In addition to the transportation work described above designed to get equitable freight rates and an adequate supply of proper transportation facilities, the Branch during the past year carried on a number of miscellaneous activities in the transportation field. During the year 101,833 freight rates were compiled and furnished, upon request, to 26 offices and agencies within the Department. This information was needed by these agencies for carrying on their programs. The rates quoted were chiefly on fertilizers, fertilizer materials, limestone, marl, seed, grain, cotton, nursery stocks, fruits, vegetables, livestock, dairy products, wool, farm implements, tractors, trucks, office equipment and supplies, and household goods. This work was done by the Branch in carrying out its function of serving as a central source of rate information for all the agencies in the Department. Of course, service activities such as these are paid for by a transfer of funds from the other agencies.

At the request of the War Department a test was conducted to measure the efficiency of a refrigerator car which that Department had had constructed for use under varying climatic conditions. Nine different tests were made in a car-testing laboratory, and a detailed report has been prepared for the War Department.

A member of our staff has been serving on a committee established for the purpose of developing a more efficient refrigerator car, and is working with the food industries, the railroads, and the private refrigerator car lines in trying to determine the best type of multiple-use car for protecting perishables against both heat and cold.

In response to a request from the Interstate Commerce Commission, detailed suggestions were submitted for the revision of the classification provided for agricultural commodities in the freight commodity



classification used by the Interstate Commerce Commission for statistical purposes. This classification is used in practically every formal case that is presented to the Interstate Commerce Commission, and the addition of many new classes of agricultural commodities suggested by us will facilitate the development of a more accurate comparison of the tonnage originating and terminating in all the States and territories.

## VII. CONTEMPLATED EXPANSION IN PROGRAMS

In view of the passage of the Agricultural Marketing Act of 1946 and the emphasis which that Act places on improvements in the physical handling of farm products from the farm to the consumer, the Branch hopes to be able to accomplish much more during the coming year than it has been able to do in the past. Nine projects have been submitted for approval, and in order to be in a position to get the work under way with a minimum loss of time, a small beginning was made on six of these projects during the fiscal year that has just closed. This was accomplished by employing one or two people to begin work on each of these projects in order to serve as a nucleus and foundation for any expansion in work which we might be permitted to undertake.

The nine projects submitted by the Branch are: (1) an expansion of the work in modernizing, improving, and establishing market facilities; (2) studies to determine the best kinds of equipment for use in handling farm products; (3) studies of storage facilities and methods; (4) more work on methods and facilities for handling frozen foods; (5) research designed to discover and bring about improved transportation methods, practices, and equipment; (6) an expansion of the work already begun in an effort to get improved refrigerator cars and trucks and better methods of protecting perishable commodities against heat and cold in such cars and trucks; (7) an analysis of rules and regulations affecting transportation; (8) a study designed to get the maximum use of each type of transportation in the marketing of each of the agricultural products; and (9) studies to bring about improved handling of foods in retail stores.

While assistance is already being given in planning market facilities in some 24 localities, the commitments already outstanding for additional planning in this field will require all the time of our personnel through the coming fiscal year; therefore it will be impossible to meet additional demands for assistance in planning market places without an expansion in resources available for this purpose as contemplated under the new Act. Very little work has been done in the past to find out how handling costs can be reduced through use of proper kinds of equipment. Studies of the Bureau of Agricultural Economics have repeatedly pointed out that a large part of the marketing bill is accounted for by labor. Still in many parts of the marketing system--at wholesale markets, terminal markets, warehouses, and in loading and unloading from railroad cars or trucks--few labor-saving devices have been put to use. To illustrate, in one wholesale market



more than \$5,000,000 per year is wasted in handling operations which could be eliminated by the provision of suitable equipment. Mechanization has reduced costs in many fields, and it is the purpose of the project on handling equipment to find out how handling costs can be reduced at various stages in the marketing system. The small start already made shows excellent possibilities of accomplishment. For instance, we have found that by using one type of layout and equipment in a cold storage warehouse, it is possible to do with 6 man hours of labor the job which requires 30 man hours by the more usual methods of handling.

Since most agricultural commodities are seasonally produced and consumed throughout the year, it is very important to the income of the farmer and to the standard of living of our people to have satisfactory warehouse facilities, properly located and properly operated. The proposed study of storage facilities and methods is designed to find out where new warehouses are needed and how old ones can be improved in design, equipment, and methods of operation in order to minimize storage costs, thereby helping to reduce the total cost of distribution. The proposed project on handling frozen foods is designed to determine the best way of handling frozen food at each part of the marketing channel in order to bring economies in distribution and facilitate the development of this new form of distribution. Since the frozen food industry is a relatively new industry, it seems particularly important that its growth be facilitated along proper lines by carrying on research in cooperation with the industry to determine the best methods of handling its products. It is far better to assist the industry at this time, while it is growing and getting established, than to permit trial-and-error methods to find the answers with the attendant economic waste resulting from that method of approach.

Transportation is a large item in marketing costs, due primarily to the great distances between farmers and consumers. Efficient distribution requires as low a level of freight rates as can be maintained, equitable rates between producing areas and markets, good transportation facilities, and as flexible a system of transportation as possible in order to get speedy and complete distribution. The transportation projects that we propose to undertake during the coming year have the approval of the special Advisory Committee on Transportation, and are designed to get improved transportation methods, practices, and equipment--better equipment, better utilization of equipment, better methods of stowing, bracing, etc.; to obtain better refrigerator cars and trucks and better ways of refrigerating and heating such cars and trucks; to analyze the rules and regulations that affect transportation costs and interfere with the flexibility of transportation, retarding the flow of commodities; and to find ways of getting maximum use of each type of transportation in the fields where each has inherent advantages.

Retail margins are the largest and most inflexible item in marketing costs. Furthermore, the condition of the product in the retail store

and the manner in which it is displayed, handled, and merchandised have a great deal to do with the quantity that the consumer will buy and the price she will pay for it. In spite of the importance of retailing in the marketing process, it is hardly an overstatement to say that less work has been done to improve this part of the marketing operation than any other part. For these reasons it is proposed to study the handling methods used in retail stores to determine which are best, making such information available to the retail food handlers throughout the country.

The additional projects proposed for the coming year consist either of expansions of activities on which we have already made a small start or the beginning of work on some of the important gaps in our present program looking toward the improvement of physical handling methods. None of the projects proposed would represent any change of the function of the Branch. The only way that the cost of marketing can be reduced is to take individual handling operations, such as is proposed here, and find out definitely what can be done to improve them and to make the individual parts of the marketing system fit together better. The accomplishments already made toward this end are sufficient to prove that some additional work can be profitably undertaken. Insofar as the resources available to it permit, this Branch will do everything possible to help attain the objectives contemplated by those who expect significant results in improving the marketing system through the program authorized under the Marketing Act. Since this Branch has been working in this field for a number of years, we feel that we are ready to take on the additional assignments which may be given us. Of course, in carrying on new work as well as in the continuation of the old, it will be our policy to work with the appropriate State agencies, municipal groups, and farm and trade organizations.



## MARKET ORGANIZATION AND FACILITIES DIVISION

### Introduction

In this Division during the past fiscal year we have almost been able to "wind up" the work we were doing in connection with the war program and to turn our undivided attention to making studies and developing plans for market facilities.

During the years since the beginning of the war, American farm income and farm production have reached the highest level in history. With the increased purchasing power provided by full employment, people have shown themselves eager to buy more and better foods. The so-called surplus of many perishable food items in previous years was not a surplus above needs but a surplus above and beyond the purchasing power of the consumers. But, even with full purchasing power, expansion of farm production or even retention of the present total farm income rests to a large extent on our ability to produce and distribute an increased quantity of protective foods such as fruits, vegetables, eggs, butter, milk, etc. According to studies made by authorities in the field of nutrition, increased quantities of these foods are necessary to provide American people with an adequate diet.

Paradoxically enough, while we are talking of increasing consumption of some of these basic food items, at the same time we do not have marketing facilities to handle properly the distribution of the foods we are now producing. Many millions of dollars are wasted every year because of a distribution system which is clumsy and inadequate. The waste of food which results from inadequate facilities starts at the farm, and it exists in every phase of handling of the product until it reaches the consumer.

In the areas where foods are produced, it is often necessary to provide facilities where products can be assembled and prepared for shipment to distribution centers. These facilities need not be complicated. They often consist simply of sheds with raised platforms which make it possible for farmers to sell their products to buyers under conditions which offer protection from the weather and a means for proper display of commodities. In some cases it is necessary to provide a packing shed to permit the proper washing, grading, and packaging of commodities in preparation for their shipment. Also, at times it is desirable to process commodities in the area of production, and in such cases a processing plant is necessary. These farm market facilities are relatively inexpensive and simple of design, yet they are woefully lacking in many production areas.

The movement of perishable products through market channels requires millions of cubic feet of refrigerated warehouse space. In an effort to get more food products to a greater number of consumers with the least loss of nutrients and quality, proper refrigeration facilities become an essential part of the market structure.

Many of our food products are of a highly perishable nature; therefore, once they are harvested, they cannot be held for any length of time except under refrigerated storage. The need for storage facilities results mostly from the fact that for the most part farm production is seasonal, and consequently it is frequently necessary to hold produce for periods of several months' duration if it is to be marketed in an orderly manner.

Here again the facilities for the proper protection of food are inadequate. Many cold storage plants in the country are not modern and up-to-date, and methods of handling produce in and out of such warehouses are in many instances inefficient and costly. Scarcity of equipment and materials have greatly restricted the building of new plants and the renovating of old ones during the past eight years. At the same time, these facilities have been operating under conditions which would tend to depreciate them faster than they would be depreciated normally because of the tremendous wartime loads of commodities they have had to carry. Also, during the past ten years the extremely rapid growth of the frozen food industry has made a pronounced change in the type of business operators of refrigerated warehouses do and the nature of the services they are called upon to render. Where new facilities are constructed or where alterations in existing facilities are made, they should be designed to make possible the handling of merchandise in such a way that the most efficient methods known can be used. There is much need and considerable demand for facts relative to planning and operating refrigerated facilities, but sources where interested persons may obtain such information are practically non-existent. To meet this need, during the past year, we have begun studies which are designed to obtain data on these subjects and put them in form which will be useful to warehousemen and other people concerned with refrigeration.

In the consuming areas a large proportion of farm commodities move through city wholesale terminal markets for sale to retailers. These wholesale produce markets in most of our cities have failed to keep pace with changes and developments incident to metropolitan growth. In many of our large cities the facilities for the wholesaling of food commodities have changed but little, while the volume of supplies handled through them has increased tremendously, and there have been considerable changes in methods of transportation and delivery. As a result, excessive handling is required, and also commodities must undergo unnecessary exposure to elements, which causes deterioration and spoilage. More waste because of poor facilities occurs when products leave the wholesalers to pass through the retail channels.

The conditions described above are widely recognized by people in the field of marketing and also by many public and civic groups. The result has been that we have had more requests for assistance in planning new facilities than we have been able to meet. State and local people are particularly anxious to get plans prepared so that they can get off to an early start as building materials become more



available. However, though we have not been able to give all of the assistance that has been asked of us, we have since July 1, 1946, completed surveys and published reports on market facilities in New Haven, Connecticut; Miami, Florida; and Tampa, Florida. Also preliminary reports have been presented to the local groups in Atlanta, Georgia; Hartford, Connecticut; and Columbus, Ohio. These reports were received favorably by the people who had requested the studies, and they are now being put into final form for publication.

In addition to the studies referred to above, we have market surveys under way in about 18 other cities. These studies are in various stages of progress--some of them are nearing completion, while others are just getting under way.

In the preparation of these recommendations and plans for particular markets an effort is made to make as complete an analysis of facility needs for the wholesaling of perishable products as we possibly can. The reports include appraisals of facilities for fruits and vegetables, poultry and poultry products, livestock and meats, and refrigeration. They also include architectural and engineering analyses of locations and designs of structures. Costs of operations and construction are taken into consideration, and we are now adding the feature of suggesting equipment which can best be installed in the buildings to increase efficiency of operations.

We have on our staff people who have specialized training and experience in each phase of market facility planning that is covered in the reports, and therefore each part of the studies is treated by a person competent in that particular field. In most cases our surveys are conducted in cooperation with the marketing people in the State, and we thereby receive the benefit of their knowledge of local conditions.

In several places we have received the assistance of personnel from State Marketing Bureaus, State Agricultural Extension Service offices, and the Agricultural Experiment Stations in making the market surveys. It has been a policy to get the assistance and cooperation of these agencies whenever possible. When State or local agencies assist with studies, the final reports are published jointly by the Marketing Facilities Branch and the cooperating agency.

In connection with refrigerated facilities, during the past fiscal year the publication of our Monthly Cold Storage Report has been continued and some revisions in the statistics gathered for the report have been made to keep this information in line with current warehousing and marketing practices. For example, formerly apples packed in barrels was an important cold storage item, but today because of changes in packaging methods the apple barrel has practically disappeared from commercial marketing channels. Requests for the report have steadily increased, and many new names have been added to our circulation list, including those of some foreign governments.



In addition to the Monthly Cold Storage Report, on several occasions we have made special studies of storage conditions in order to make plans to care for crops which are harvested in abundance and require immediate refrigeration.

A report on our biennial survey of cold storage space was published and distributed during the year.

Today as the frozen food industry is stabilizing its place in the food market, many agencies in the marketing channel are concerned with improved services and methods of handling frozen products in order that a high quality product may be placed in the hands of the consumer at a low market cost. The industry has grown so rapidly that there has been little time to take inventory, and as a result much of its expansion has been on a trial-and-error basis. There is a marked need for the assembling of facts which will serve as guides to better operating methods for those now engaged in marketing frozen foods and for those who wish to enter the business. Toward this end, we have initiated studies which are designed to appraise existing facilities and serve as an aid in planning any expansion.

In August 1943, it was necessary to issue a War Food Order regulating the use of cold storage space so that perishable commodities needed in connection with the war program could be protected. It was necessary to keep these regulations in effect until the fall of 1946. At that time the order was canceled and the work in connection with it brought to a close.

## I. TERMINAL MARKETS

During the past year we have had requests for assistance in planning terminal market facilities from State and local marketing people in about fifteen cities. We have not been able to complete studies in all of these places, even though the local interests have rendered material assistance in carrying on the work.

There follows a brief statement of the status of some of the terminal market projects on which we feel that we have made material advancement in planning market improvements during the past fiscal year.

### A. New Haven, Connecticut

The survey of the needs for market facilities for fruits, vegetables, poultry, eggs, and other food products was completed for New Haven, Connecticut, and published in December 1946. The report was presented to the Connecticut Regional Marketing Authority and the interested produce trade groups of New Haven. The report recommended that a new market should be developed on Boulevard Playground site, which is located at the point where Boulevard Street crosses the old Derby railroad line. When the report was presented, a layout of the proposed market was set up by use of scale models and displayed in the New Haven City Planning Commission office.

The report pointed out the defects in the existing market, such as inadequate wholesale store buildings, lack of rail connections, narrow streets, serious traffic congestion, lack of adequate farmer and trucker facilities, scattered market facilities, lack of market organization, and inability on the part of the operators to expand their operations or correct the defects in their existing facilities in the present market location. The report recommended that a market be developed which would include stores for wholesalers of fruits, vegetables, poultry, and eggs; farmers' and truckers' sheds; facilities for a poultry and egg processing plant; parking space; public refrigerated warehouses; and facilities for restaurant, offices, service station, and public toilets. A design for each facility recommended in the market was included. Figure 1 shows the layout proposed.

Four sites were considered for the proposed New Haven market. In the analysis of the information obtained during the course of the survey, it was found that Boulevard Playground site would offer more advantages than any other site considered. The estimated total cost of the market developed on this site was \$1,004,092, which would include all the facilities needed now to handle the produce business and provide ample ground for the expansion of the facilities in the future. It was shown that the total annual operating revenue which would be needed from rentals in the market to amortize the investment at 4 percent over a period of 25 years and pay taxes, salaries, maintenance, and other operating costs would be \$147,140 on the recommended site. It was also shown in the report that sufficient revenues to pay these operating charges could be obtained from rentals charged tenants using the facilities.

The report pointed out that the recommended market development on the Boulevard Playground site would result in substantial savings in the cost of handling produce in New Haven. The annual saving in cartage by the placement of rail connections to the wholesale stores would be approximately \$75,000, and the saving in breakage, deterioration, and spoilage of produce would amount to a minimum of \$25,000 annually. In addition to the savings, the traffic pressure and congestion would be alleviated, and buyers frequenting the market and operators in the market would make substantial savings in the time it takes to do business. Moreover, the expense to the city in policing the market area would be held to a minimum, and traffic from other industries of the city would be eliminated.

Although the City Planning Commission of the City of New Haven and a large segment of the trade were in agreement with the recommendations of the report, certain owners of real estate in the present market area, together with about seven operators in the New Haven wholesale produce market who own the property in which they do business, were concerned with the problem of utilizing the real estate in the present market if vacated. In the course of the survey this problem was analyzed. It was found that a new elevated highway is under consideration, and plans for bringing the highway through the city of New Haven provide for its construction through the present market area. It was pointed out in the report that if this elevated



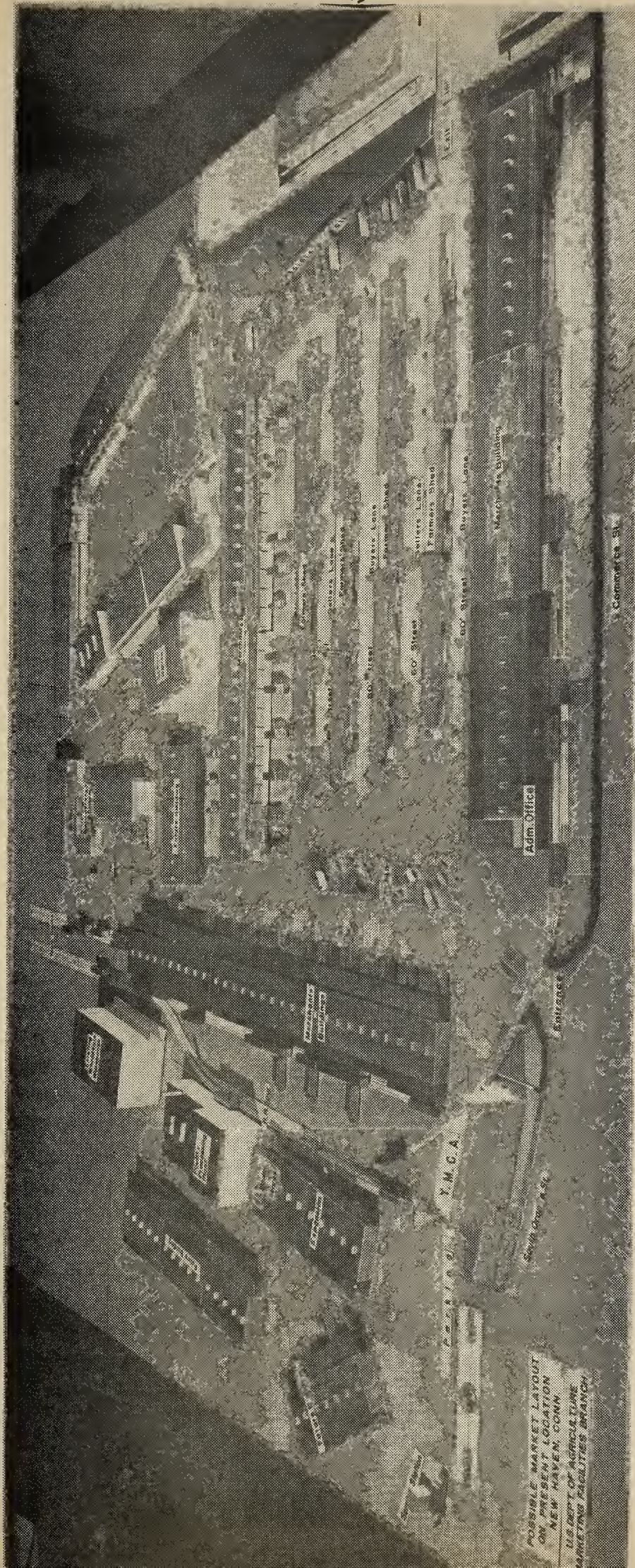


Figure 1. - Proposed market layout, by scale models,  
on present site, New Haven, Connecticut.



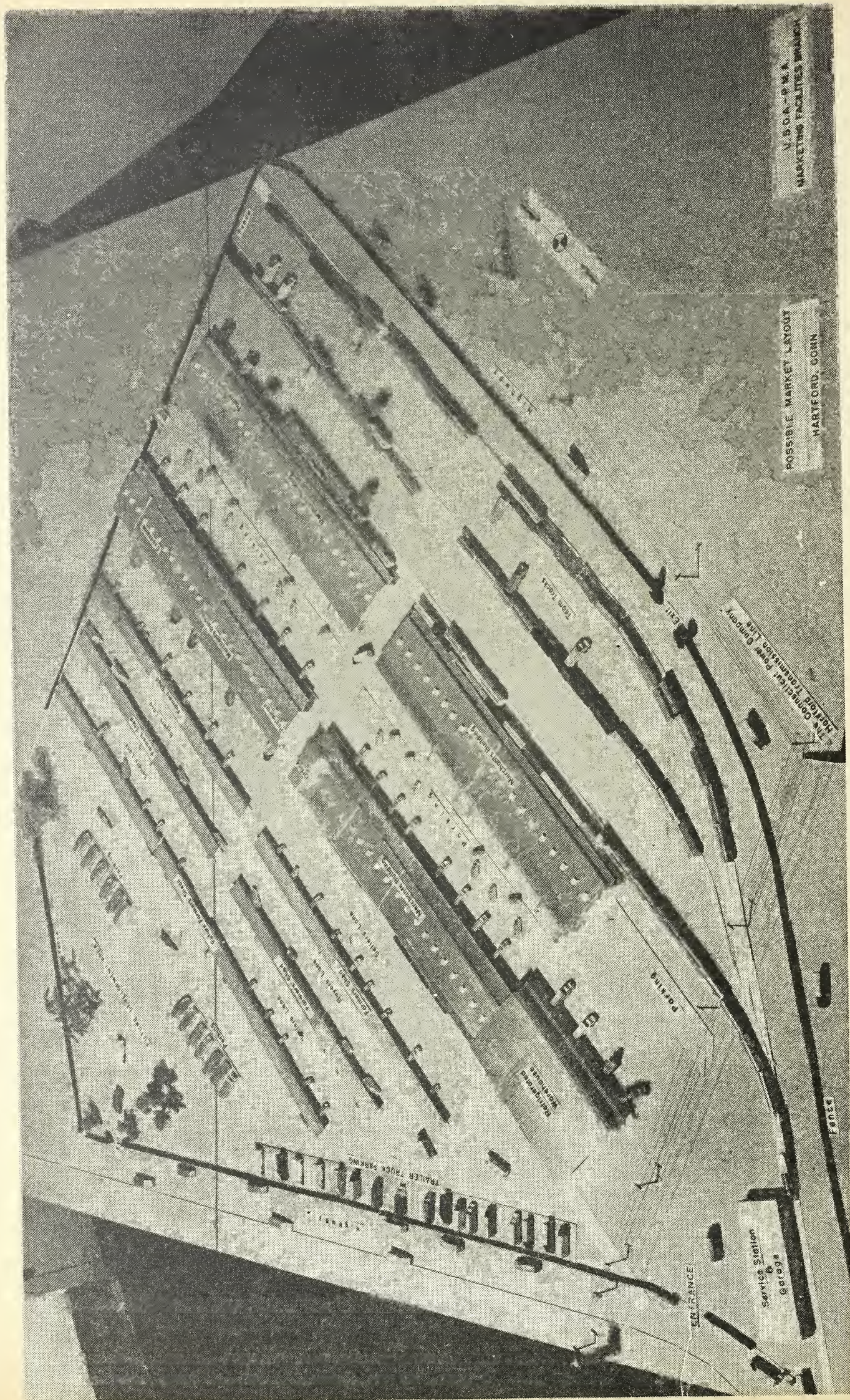


Figure 2. - Proposed market layout, by scale models,  
on South Meadows Site, Hartford, Connecticut.



highway were developed through the present market area, it would be necessary to construct a clover leaf for access to and from such highway in the existing market area. For these reasons it was pointed out that the present market would be practically eliminated in the proposed highway development, and no consideration should be given to the development of new market facilities in the area where the wholesale produce market is now situated.

The wholesale trade, farmers, the City of New Haven, and other groups interested in the establishment of a wholesale produce market for New Haven have been giving consideration to the report and have been working with the Connecticut State Legislature for the development of proper legislation to permit the Connecticut Regional Marketing Authority to develop a market in New Haven. This legislation was passed June 3, 1947. We are keeping in close touch with developments in New Haven, and in the course of a few months we anticipate that plans for its development will be initiated.

#### B. Hartford, Connecticut

A survey of the needs for market facilities for the wholesale handling of fruits, vegetables, poultry, eggs, and other food products was completed for Hartford, Connecticut, and it is expected that the report will be published in the next thirty days. The preliminary report was presented to the Connecticut Regional Marketing Authority, the produce trade, and other interested groups of Hartford in December 1946. The report recommended that a new market should be developed on the South Meadows site, which is located immediately north of the city airport. The report indicated that in order to develop the type of wholesale produce market needed in Hartford, additional land would have to be acquired from the metropolitan district and the City of Hartford. The report also showed that certain changes should be made in the Hartford Power and Light Company's high tension lines which bisect the property. When the report was presented to the produce trade and other interested agencies in Hartford, a layout of the proposed market was set up by use of scale models in the Hartford Times offices.

The report pointed out the defects in the existing market, such as inadequate wholesale store buildings, lack of rail connections to stores, narrow streets, serious traffic congestion, lack of adequate farmer and trucker facilities, scattered market facilities, lack of market organization, and inability on the part of operators to expand their operations or correct the defects in their existing facilities. The report recommended that a market be developed which would include stores for wholesalers of fruits, vegetables, poultry, eggs, and dairy and meat products; farmers' and truckers' sheds; facilities for the conduct of a farmers' produce auction; facilities for container store operators; parking space; public refrigerated warehouses; and facilities for a restaurant, offices, service station, and public toilets. A design for each facility recommended in the market was included. The plan recommended is shown on Figure 2.



The South Meadows site was the only one considered for the development of a wholesale produce market in Hartford because the Connecticut Regional Marketing Authority had acquired this property, consisting of 24.8 acres, in January 1946. In the analysis of the information obtained during the course of the survey, it was found that the South Meadows site, properly developed, would offer an adequate market for handling these products. The estimated total costs of the development on this site was \$1,140,240. The total annual operating revenue which would be needed to amortize the investment and pay taxes, upkeep, and management was estimated to be \$149,580. It was shown in the report that sufficient revenues to pay these annual operating charges could be obtained from the tenants using the market's facilities.

It was shown that the recommended market development on the South Meadows site would result in substantial savings in the cost of handling produce in Hartford. The annual saving in cartage by the placement of rail connections to the wholesale stores would be approximately \$90,000, and the saving in breakage, deterioration, and spoilage of produce would amount to a minimum of \$40,000. In addition to these savings, the traffic congestion would be alleviated, and buyers frequenting the market and operators in the market would make substantial saving in the time it takes to do business.

The Connecticut Regional Marketing Authority, officials of the City of Hartford, and the trade groups were in general agreement with the recommendations of the report. In order to carry out these recommendations, some details with respect to the acquisition of the land owned by the Metropolitan District and the City of Hartford must yet be arranged. Meetings are now being held in Hartford to complete these details. In addition, conferences are being held with representatives of the railroad in order to develop trackage into the site, and meetings are being held with the Hartford Power and Light Company relative to the movement of a number of their high tension power lines which must be completed before the market can be properly developed. All of these arrangements are progressing satisfactorily at this time.

Upon acceptance of the preliminary report by the Connecticut Regional Marketing Authority, action was started to develop the necessary legislation needed to carry out the recommendations included in the report. As a result of these efforts, the Connecticut State Legislature approved an act on June 3, 1947, which would authorize the State of Connecticut to underwrite bond issues up to 75 percent of the costs of any market in the State, but not in excess of \$1,200,000, if such bonds were issued by the Connecticut Regional Marketing Authority and approved by the State Finance Director and the Governor. The Authority, through an appropriation made in 1941, was granted a fund of \$250,000 in addition to its authority to issue bonds as described above. Providing the future tenants in the Hartford market meet the 25-percent requirement of the market cost, the appropriation available to the



Connecticut Regional Marketing Authority should make possible the construction of a terminal market in Hartford as recommended in the report, and this development should take place during the coming year.

The creation of a terminal market in Hartford is necessary because a new highway will be built along Connecticut Boulevard and thus cause to be razed a large section of the existing market facilities of wholesalers located in the path of the highway. Moreover, a considerable portion of the team tracks used by the produce industry will be razed in the highway development. It is anticipated that the highway will be constructed in 1948, for which reason every effort is being extended by the Division, in cooperation with the interested agencies in Connecticut, to develop a new terminal produce market by the time the highway development razes the existing facilities used by the produce wholesalers.

### C. Columbus, Ohio

A survey of the needs for market facilities for fruits, vegetables, poultry, eggs, and other food products was completed for Columbus, Ohio, and it is expected that the report will be published in the next 60 days. A preliminary report on the wholesale market situation in Columbus was presented to the Columbus Market Study Committee, the produce trade, and other interested groups of Columbus in February 1947. The report recommended that a new wholesale terminal market should be developed on one of three available sites, namely, a portion of the Ohio State Fair Grounds, an 80-acre tract of land lying immediately north of the Ohio State Fair Grounds, and a 48-acre tract adjacent to Fifth Avenue and Cleveland Avenue. When the preliminary report was presented in Columbus, a layout of the proposed market was set up by use of scale models in the Southern Hotel (See Figure 3).

The report pointed out the defects in the existing market, such as inadequate wholesale store buildings, lack of rail connections to stores, narrow streets, serious traffic congestion, lack of adequate farmer and trucker facilities, scattered market facilities, lack of market organization, and inability of the wholesale operators to expand their facilities or correct the existing defects.

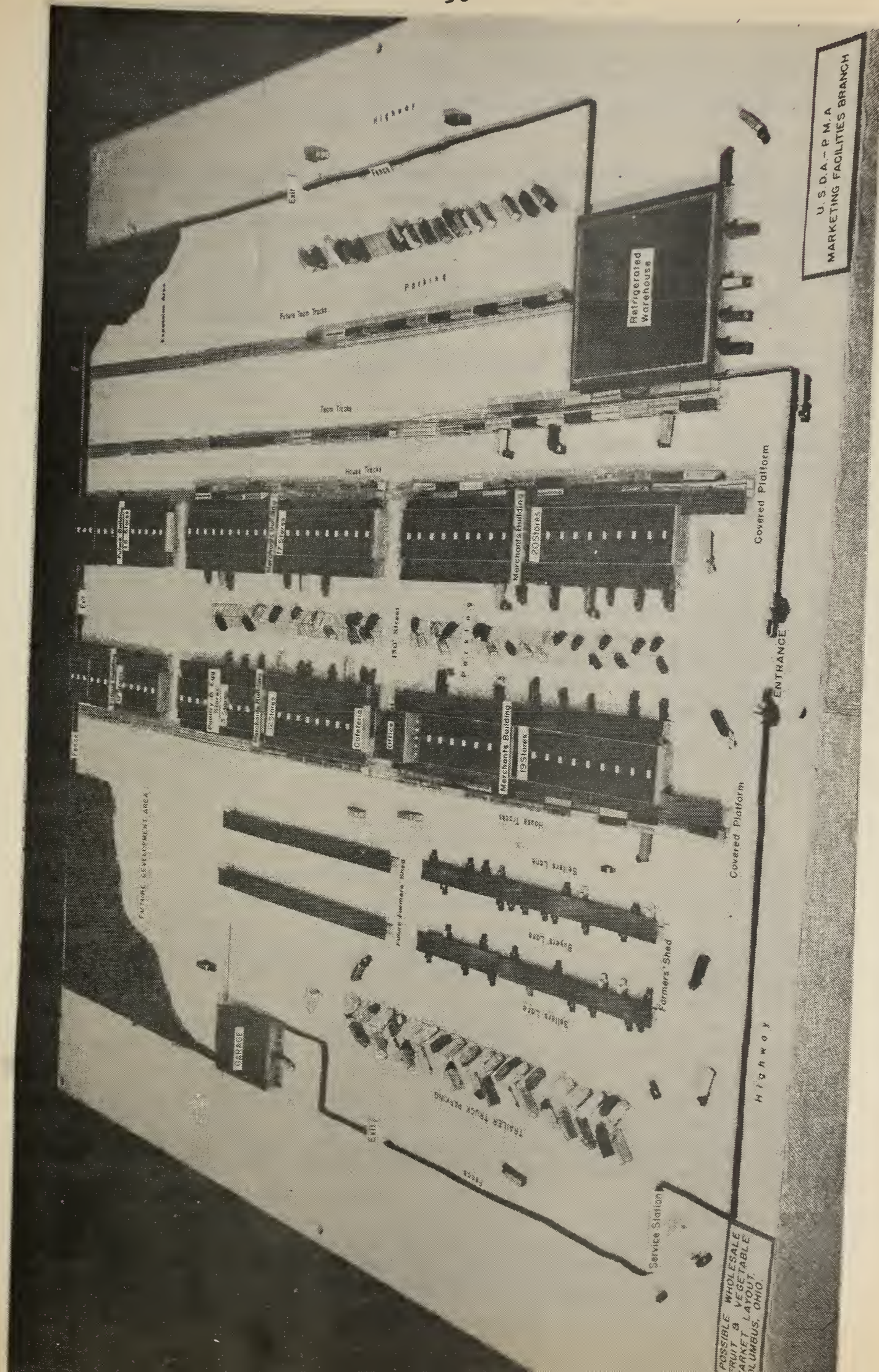
The report recommended that a market be developed which would include stores for wholesalers of fruits, vegetables, poultry, and eggs; farmers' and truckers' sheds; public refrigerated warehouses; parking space; and facilities for a restaurant, offices, service station, and public toilets. A design for each facility recommended in the proposed plan was included.

The three proposed sites mentioned above were analyzed from information obtained in the course of the survey, and it was found that either of the three mentioned sites would permit the development of an adequate terminal market to satisfy the needs of Columbus. The estimated total costs of the development on the three proposed sites varied from approximately \$1,100,000 to \$1,280,000. The total















annual operating revenue which would be needed to amortize the investment and pay taxes, upkeep, and management was estimated for the three sites to be from \$130,000 to \$140,000. It was shown in the report that sufficient revenues to pay these annual operating charges could be obtained through rentals from tenants using the facilities provided in the market.

It was shown that the recommended market development on either of the recommended sites would result in substantial savings in the cost of handling produce in Columbus. The annual savings in cartage of produce by the placement of rail connections to wholesale stores would be approximately \$150,000 and the savings in breakage, deterioration, and spoilage of produce would amount to a minimum of about \$80,000. In addition to the savings, traffic congestion in the market would be eliminated, and buyers and operators in the market would make substantial savings in the time it takes to conduct their business.

The Market Study Committee of the City of Columbus, together with the farmers, truckers, and trade groups, were in general agreement with the recommendations of the report. Meetings were held with the various trade groups who would occupy the facilities and conduct business in the market, and they have requested more detailed information with respect to the setting up of an appropriate corporation to finance, construct, and operate the market. In addition, since the preliminary report was completed, two additional market sites have been proposed for consideration as a possible terminal market site, and an analysis of these sites is being made. When this analysis is completed and the report published, the Division has been requested to hold additional meetings with the various trade groups in order to assist them in working out the details necessary for the development of the wholesale produce market as recommended for Columbus, Ohio.

#### D. St. Louis, Missouri

The survey of the needs for wholesale market facilities for fruits, vegetables, poultry, eggs, and other products is well under way in St. Louis, Missouri. This study was undertaken at the request of the St. Louis Wholesale Fresh Fruit and Vegetable Jobbers Association and is being carried out in cooperation with the State Department of Agriculture. The Association requested that a survey be made because a contemplated highway development would raze a major portion of what is now the wholesale market district in St. Louis. Farmers in the adjoining market area of Illinois and Missouri requested that consideration be given to their facility needs when the study was begun. Likewise, the wholesalers of poultry and eggs who are also situated in the present wholesale produce market district requested that consideration be given to their needs in the development of a new terminal produce market for St. Louis. All of these various groups have expressed interest in the survey and have cooperated fully with the Division in making necessary information available in order that the market needs for the present and for the future of St. Louis, Missouri, might be properly developed.



The present compilation of economic data concerning the wholesale market is in the process of being completed, and an analysis of suggested market sites is being made. It is expected that the St. Louis market report will be mimeographed within the next ninety days.

#### E. Baltimore, Maryland

The Division has continued to consult with the University of Maryland and the market commission appointed by the Governor of Maryland in their work to bring about a modern wholesale produce market for Baltimore. The commission is preparing a draft of legislation to set up a market authority for Baltimore, and we have consulted with them in the preparation of this bill.

#### F. Cleveland, Ohio

A survey of the needs of the City of Cleveland for a city-owned retail market is under way in Cleveland, Ohio. This study was undertaken at the request of the Mayor of Cleveland with the concurrence of the city officials and trade groups, and is being made in cooperation with the Ohio State University, College of Agriculture. A new major highway development through the City of Cleveland will raze the city-owned central retail market located in downtown Cleveland. During the past year the voters of Cleveland voted favorably for a bond issue to be used in the reconstruction of a city-owned retail market as a replacement for Central Market. In the course of the debate over the bond issue, it was generally felt by most of the people in Cleveland that the market would be constructed only if it could be made self-liquidating.

The problem of determining whether a city-owned retail market is necessary and could be made self-liquidating, as well as what type and amount of facilities would need to be constructed, is the major problem which will be analyzed by the Division and reported on for the benefit of the people of Cleveland.

The present compilation of economic data concerning the Central Retail Market has been practically completed, and an analysis is being made. The report on this market will be mimeographed within the next ninety days.

#### G. Houston, Texas

The survey of the needs for wholesale market facilities for fruits, vegetables, poultry, eggs, and other products is in the final stages for Houston, Texas. This study was undertaken at the request of the Houston Wholesale Fresh Fruit and Vegetable Jobbers Association and is being carried out in cooperation with the Texas Agricultural and Mechanical College, College Station, Texas. Local fruit, vegetable, and produce farmers in the adjacent area of Houston have requested that consideration be given to their facility needs in the new market.



Likewise, the wholesalers of poultry and eggs, as well as certain dealers in meat and other products, have requested that the Division give consideration to their needs in the development of a new terminal produce market at Houston. All of these groups have cooperated fully with the Division in making necessary information available in order that the present and future market needs of Houston might be determined.

The compilation of economic data concerning the wholesale market has been practically completed, and an analysis of the data and a study of suggested market sites is being made. It is expected that a report on the Houston wholesale produce market will be mimeographed within the next two or three months.

#### H. Dallas, Texas

A few years prior to the recent war, representatives of the Division worked with officials of the City of Dallas and trade groups in an effort to develop proper wholesale produce market facilities to serve that area. In the past two years since the conclusion of the war, construction of facilities for farmers and truckers has been completed by the city, and warehouse facilities for a number of wholesalers of fruits and vegetables are under construction at this time. During the past few months the Division has consulted with officials of the city and trade groups in connection with the Dallas terminal wholesale produce market development.

#### I. Toledo, Ohio

A request has been made by officials of the City of Toledo that the Division undertake a survey of the Toledo wholesale produce market. It is anticipated that during the next fiscal year the Division will be able to complete a survey for Toledo after completing projects that are now being processed.

#### J. Milwaukee, Wisconsin

The University of Wisconsin has made a request to the Division for a survey of the wholesale produce market of Milwaukee, Wisconsin. It is contemplated that a survey of the Milwaukee wholesale terminal market will be made in the next fiscal year, or as soon as commitments on projects now under way and in the process of being started can be completed.

#### K. Richmond, Virginia

A year ago a report was prepared and published on marketing facility needs for Richmond, Virginia. In this report it was recommended that the proposed market be located on a site which had formerly been the State Fair Grounds. This site had existing buildings which it was felt could be converted into stores for wholesalers at a considerable savings in cost of construction. However, during the past year it developed that the Richmond Marketing Authority was unable



to obtain the Fair Grounds site inasmuch as the City Administration had determined to use it for another purpose. This made necessary additional survey work and planning necessary, and at the request of the Marketing Authority, we are undertaking to draw up plans for another location. A preliminary report will be presented to the Richmond people the latter part of August.

## II. CONCENTRATION MARKETS

During the past year requests for assistance in planning concentration and secondary markets have increased considerably. The personnel of the Concentration Markets Section has been increased, and several new studies are now in progress. About twenty new requests have been received from State and local marketing people for assistance in developing plans for the construction of concentration type markets. Needless to say, we have been unable to make complete studies in all of the places where assistance has been requested. However, work is progressing rapidly at those places where studies have been started, and new requests are being filled as soon as possible.

There follows a brief statement of the progress made at each place where studies were conducted during the 1946-47 fiscal year.

### A. Miami, Florida

A study of the Miami wholesale fruit and vegetable market has been completed, and a report published. This report recommended that a new modern market be constructed at the location of the present market. Figure 4 shows the suggested plan for the improvement of this facility. When completed, these improvements should result in annual savings of about \$267,000 in the cost of handling fresh fruits and vegetables on this market. The suggested plan also provides for an increase in space in store buildings which should enable dealers to handle a larger volume of business more expeditiously.

The Miami study was made at the request of the Dade County Growers' Cooperative Marketing Association, owners and operators of the present market. The report has been submitted to the Association, and it is contemplated that construction will begin on the suggested improvements in the near future.

### B. Tampa, Florida

A study of the Tampa wholesale fruit and vegetable markets, which was requested by the Tampa Farmers Cooperative Market, has been completed and a report published. This study was conducted jointly by the Marketing Facilities Branch, the Florida Agricultural Experiment Station, the Florida Agricultural Extension Service, and the Florida State Department of Agriculture.

Because of ownership, operation, and present functions of the two existing markets, a new market was not recommended in Tampa. The







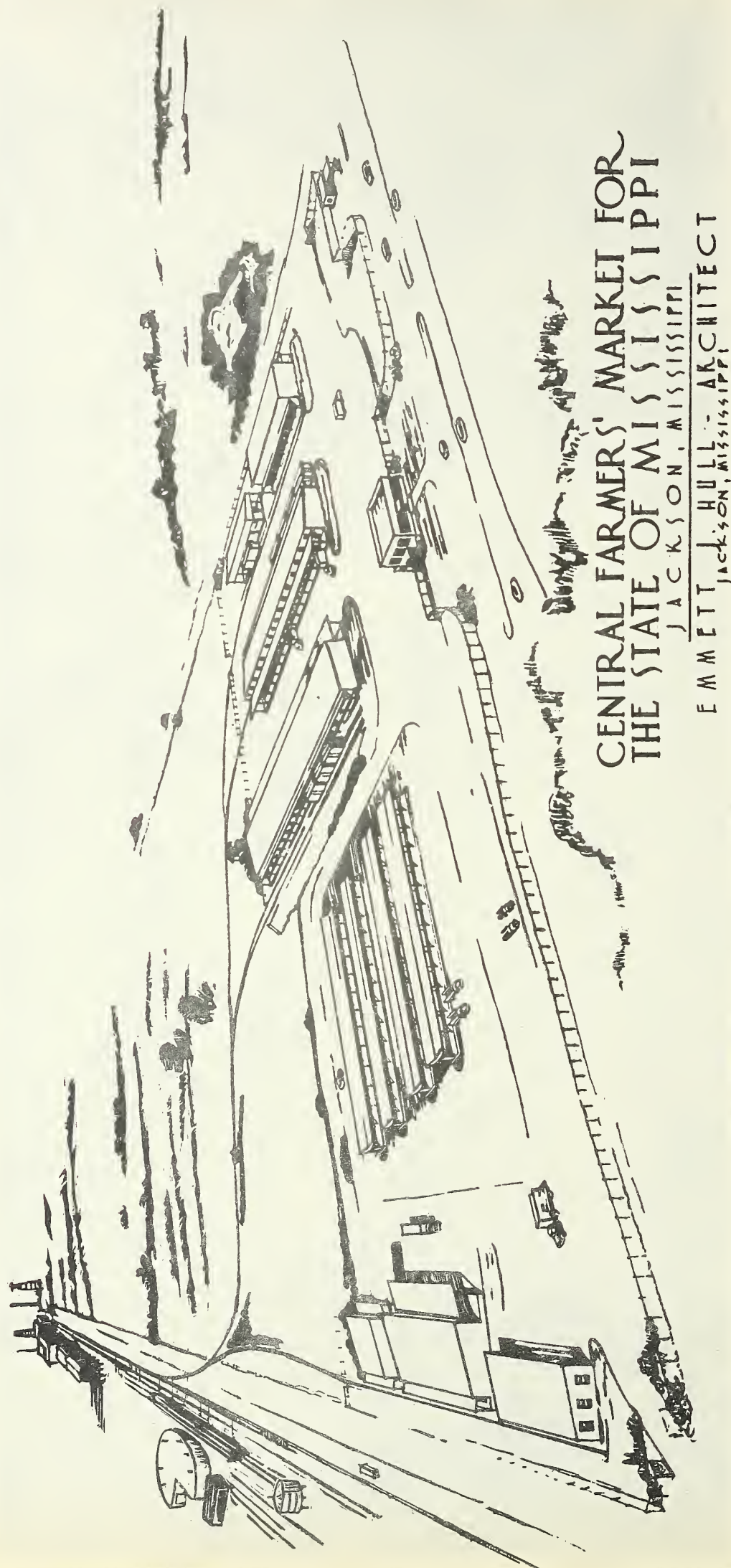


FIGURE 5

Figure 5. - Plan of market under construction at Jackson,  
Mississippi



report does recommend, however, that the Tampa Wholesale Produce Market be developed as the kind of market needed to serve the city.

This report shows that the wholesale stores at the present markets are adequate to handle the present volume of business. It was recommended that the construction of new stores for dealers on the Tampa Wholesale Produce Market be delayed until the volume of business becomes large enough to warrant the building of new facilities. However, it was recommended that the present sales sheds for farmers and truckers be razed, and that new sheds of the detached type be built. The razing of the old sheds and the construction of new sheds of the type recommended should eliminate a great deal of traffic congestion and make for more efficient use of the available space. It was also recommended that undeveloped land adjacent to the present market area be purchased now for future development, and that farmers be given some voice in the management of the market.

#### C. Jackson, Mississippi

A study to determine the needs for a wholesale fruit and vegetable market at Jackson, Mississippi, has been completed, and a report published jointly by the Marketing Facilities Branch and the Mississippi Agricultural Experiment Station. The Mississippi Agricultural Extension Service and the Mississippi State Department of Agriculture assisted in the study by making available information that had been previously collected by these agencies.

A new market, patterned along the lines recommended in the report, is now under construction (See Figure 5). Construction work should be completed, and the market put in operation around January 1, 1948.

This market is being constructed with funds appropriated by the State Legislature to the State Central Market Board, which was created by legislative authority in February 1946. Representatives of the Marketing Facilities Branch assisted the State people in drafting proposed legislation under which this Board was established.

#### D. Columbia, South Carolina

At the request of city officials, a study of the wholesale produce market at Columbia has been initiated. The gathering of data has been completed, and an analysis of the information collected is now being made. A preliminary report which will include recommendations for a new market will be presented to interested groups in Columbia at an early date.

#### E. Atlanta, Georgia

At the request of State marketing officials, a study has been made of the wholesale markets for fruits, vegetables, poultry, and eggs in Atlanta, Georgia. A preliminary report has been submitted to the local people, and the final report is now being prepared for publication.



This report recommends that most of the wholesale fruit and vegetable dealers, together with a large percentage of the poultry and egg dealers, centralize their operations at the State Farmers' Market in Atlanta. It also recommends that the market area be expanded, and new facilities provided to meet the needs of the additional dealers. Figure 6 shows the layout recommended. When these improvements have been made, it is estimated that annual savings of about \$384,000 will be effected in the cost of handling fruits, vegetables, poultry, and eggs in this city.

The recommendations made in this report have received favorable approval by the State people, and it is contemplated that the improvements recommended will be provided.

#### F. Baton Rouge, Louisiana

A study of the need for a wholesale produce market at Baton Rouge, Louisiana, has been requested by the Baton Rouge Junior Chamber of Commerce. The Louisiana State Market Commission, the Louisiana Agricultural Experiment Station, and the Louisiana Agricultural Extension Service are working in cooperation with the Branch. Field work on the study has been completed, and a report covering the findings and outlining recommendations is now being prepared.

#### G. San Antonio, Texas

At the request of the San Antonio Chamber of Commerce, a study has been initiated of the wholesale produce market at San Antonio, Texas. Field work was virtually completed on June 30, the end of the fiscal year.

#### H. Shreveport, Louisiana

At the invitation of officials of the Louisiana State Market Commission, a representative of the Branch has visited and discussed the problems of the present city market with city officials. The Commission now has the subject of a market study under consideration. If interest should develop for the construction of a new market, the Branch will give assistance to the local people as needed.

#### I. Greenville, South Carolina

Requests have been received for assistance on the development of plans for a new market in this city. Arrangements are being made with the State Experiment Station and Extension Service to conduct this study jointly.

#### J. Benton Harbor, Michigan

Requests have been received from the local market officials to conduct a study of the fruit market at Benton Harbor. Arrangements have been made to begin field work on this study in the near future.



K. Leesburg, Florida

A request has been received from the Florida State Department of Agriculture to conduct a study of the need for a new market at Leesburg. Work on this study will be initiated as soon as possible.

L. Montgomery, Alabama

A request has been made by officials of the Alabama State Markets Board for assistance in studying the need for a wholesale produce market in Montgomery. Work on such a study will be undertaken sometime during the next fiscal year.

III. WAREHOUSING AND REFRIGERATED FACILITIES

One of the functions of the Division is to plan facilities and programs for highly perishable foods which must be kept under refrigeration. This includes investigating and gathering information regarding existing warehousing facilities to determine whether there is adequate space of the proper kind to meet the storage demands. It also requires the initiating of programs designed to see that the most efficient use possible is made of facilities during periods of high storage occupancy, and that persons having commodities which they wish to store are put in touch with warehousemen who have space available.

In connection with this work data are assembled and reports prepared on capacity, utilization of space, and holdings in refrigerated facilities. Such reports are issued once each month, and special reports are prepared and released when there is an occasion for them.

It has also been our responsibility to plan and administer orders regulating the use of refrigerated facilities during the time of national emergency. The last such order in effect was War Food Order 111, which was terminated during the past fiscal year.

During the past 10 years the frozen food industry has witnessed a phenomenal growth. Production of frozen fruits and vegetables alone has increased to about 500 percent of the 1937 output. During the last decade storage holdings of these commodities have increased from 166 million pounds to 850 million pounds at the seasonal peak when they now amount to 48 percent of the holdings in freezers, while 10 years ago they amounted to only 24 percent.

With this very impressive growth of a new food industry, it is obviously important that careful thought and study should be given to the planning of facilities for handling frozen foods. A most casual observation in any phase of the field will show that there are many things to be learned, and many unnecessary mistakes are being made even now. Careful planning now may serve to avoid some serious mistakes later on. In view of these factors, we have undertaken some research into the adequacy and efficiency of frozen food handling facilities.







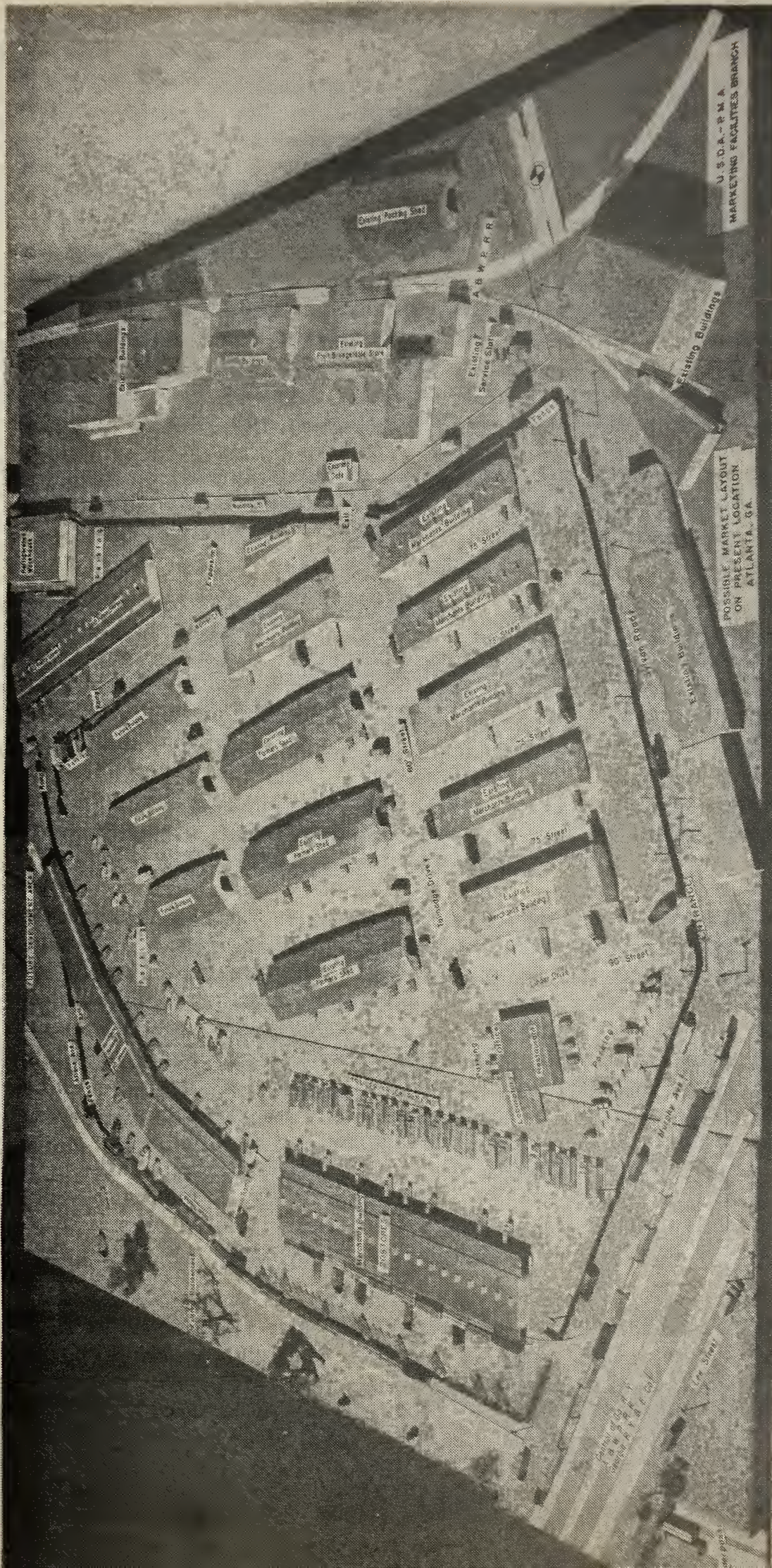


Figure 6. - Proposed market layout, by scale models, on present location, Atlanta, Georgia.







## A. Cold Storage Reports

1. Monthly Cold Storage Report - The Cold Storage Report had its inception in 1916 with the compilation of statistics on holdings of apples, butter, American cheese, and case eggs. In 1917, frozen and cured meats, frozen eggs, and poultry were added to this list of refrigerated commodities. A year later reports were extended to cover holdings of lard and frozen and cured fish. Since the early years of the report additional items have been covered from time to time--the most recent additions being in the field of frozen fruits and vegetables--with the result that practically complete commodity coverage has been achieved. Some 87 different items are incorporated on the current schedule for monthly stock reports. Figures are assembled on the amount of space occupied each month in all classes of warehouses--public, private, semi-private, meat-packing, and apple houses. In addition to data on total stocks, the Cold Storage Reports now show figures on Government-owned commodities.

An effort is made to get a coverage of all refrigerated space used for storage. The number of concerns covered has grown from some 1,300 in 1922 at the time of the first survey of refrigerated space to about 1,800 at the present time.

Requests for the report: During the past fiscal year, about 300 new names have been added to the mailing list to receive the Monthly Cold Storage Report. Included in these are names of persons in at least 7 foreign countries. During the year representatives from the Indian and Venezuelan Governments have called on the Division to discuss problems of setting up a similar reporting system in their own countries.

Those in the United States making use of the report include warehousemen, processors, bakers, bankers, research and statistical institutions, farm and trade groups, and Government agencies.

Nature of the report: The Cold Storage Report is released in mimeographed form on the 15th of each month. The release carries an analysis of holdings, charts, and tables showing the percentage of space occupied in the United States by regions, States, and some 30 major cities. Commodity holdings on the first of each month are reported together with comparative data for the preceding month, the same month of the preceding year, and the 5-year average. In addition to United States totals, figures are carried on all commodities in each region, while dairy products, eggs, and fresh fruits are reported by States. Holdings of Government-held commodities are given in this 21-page report. An analytical table giving a summary of first-of-the-month holdings with changes from those of the previous month and a bar chart representing total commodity weights have proved to be quite useful additions to the report.

During the past fiscal year the questionnaire by which these statistics are gathered was revised--partly to bring it more into conformity with current warehousing practices and partly in order to minimize the amount of work required of warehousemen filling out the schedules. Items whose



volumes have been relatively small were dropped from the schedule. Peanuts were segregated from tree nuts inasmuch as these items were not on the same competitive level and a segregation was desired by nut growers. A change has been inaugurated in the reporting of apple containers. Barrels, now obsolete as containers for apples in storage, have been dropped from the schedule, and the emphasis has been transferred to the origin of the apple rather than to the container.

On the morning of the 15th of each month the entire report is released over leased wires to some 65 market news branch offices, thereby assuring a uniform release of the report at the same time throughout the United States. Many branch offices publish mimeographed releases of their own from data received over the wires. Magazines and newspapers help to disseminate the information to all interested parties.

The compilation of the data has to be exercised with extreme care. Each month considerable correspondence is carried on between the Cold Storage Unit and warehousemen concerning the accuracy of the reports. Every schedule is carefully edited for clerical errors, and confirmation for doubtful figures is requested by wire, the chief emphasis being placed on the accuracy of the report. Delays in reporting are followed up by mail in order to keep the coverage complete.

State cooperation: Most States do not have reporting requirements covering cold storages. An effort has been made, therefore, to supply any State offices requesting it with information on storage holdings in that State. At present such information is being supplied monthly to New York, Virginia, and Texas. Cooperative arrangements have been made to improve the returns from some States having State reporting laws. Such arrangements have been made with New York, Virginia, Massachusetts, Vermont, and Connecticut. This cooperation seems to have proved mutually beneficial to the State concerned and the Federal Government.

## 2. Special Reports

Apple reports: Early in the summer of 1946, the general apple crop condition appeared to augur a comparatively large apple crop in many areas. In an effort to ascertain whether or not storage facilities were adequate in all areas, a survey of the situation was made on the cold storage prospects for apples and pears, and a report was released in August. The study developed the fact that in most areas little difficulty would be encountered in finding storage for the 1946 apple crop. Reports were distributed to interested warehousemen and to members of the apple growers' associations. A program was set up by which growers and shippers in shortage areas could find assistance in locating space during the apple season. Such assistance was requested from apple growers in the Virginia-West Virginia and the Michigan-Ohio regions. Unusually heavy storage loads of apples were cared for in the former area, partly with the assistance of the Cold Storage Unit, which ran a sort of "clearing house" during the apple season. The Branch, in cooperation with the National Association of Ice Industries, helped to find temporary storage for apples in ice houses when apples were crowding into warehouses.



Eggs: Attention was turned early in the year to the probable needs for egg storage space in 1947 in order to make sure that steps would be taken to provide space for shell eggs. However, an examination of the production prospects along with the plans for Government egg-drying and freezing programs revealed that there would not be demands for shell egg space sufficient to cause congestion. Consequently, nothing further was done to develop a detailed study of the shell egg storage situation.

Meat: Early in October 1946, the question was raised by administrators of price controls over meats as to the advisability of removing those controls. Quantities of meats in storage had to be ascertained at once in order to know what steps should be taken. The Cold Storage Unit sent wires to warehousemen and meat-packers in some seven cities which held about 37 percent of the stocks. The telegraphic reports were compiled and tabulated, and the figures made available to the Secretary of Agriculture within about 36 hours' time. This information served as one of the bases in determining the action taken in removing controls over meat.

Frozen fruit and vegetable packaging: In October, numerous requests for a breakdown of frozen items as to container sizes were received from processors and handlers of frozen fruits and vegetables. This information was considered necessary for the orderly marketing of the bumper storage load of frozen fruits and vegetables. A 9-page report was issued giving the stocks of fruit and vegetable items as to 3 container sizes. This report was distributed only to those requesting it specifically. Requests for the report were sufficiently large to exhaust the supply.

In the early part of 1947, requests were made by the frozen food packers to make these packaging data a regular feature of the Monthly Cold Storage Report. Because the burden of supplying this information fell upon the warehousemen, packers were advised to work with the National Association of Refrigerated Warehousemen in considering such a report. The two trade associations have been busy on the details of the plan for some months. An agreement as to the nature of this report has been reached by these groups, and the Marketing Facilities Branch will undertake to compile the desired information.

Warehousing facilities in terminal markets: In connection with the work of the Branch in its planning of terminal market facilities, questions have arisen from time to time as to the adequacy of refrigerated space in the market area for the storing of certain commodities--especially eggs and poultry. The Cold Storage Unit carried on studies of special areas to supply background material with which the market men could work. Such studies covered the city areas of Houston, San Antonio, Atlanta, and St. Louis.

### 3. General Publications -

Annual Summary: The second of a series of annual summaries of cold storage stocks was released in March 1947. This summarized 1946



holdings by regions. An added feature was presented for the first time-- a 5-year average, 1942-46, by geographical regions for stocks of each commodity. This addition was made to satisfy numerous requests which have arisen for comparative data on regional holdings. This summary showed that storage occupancy during 1946, the first year after World War II, was at a much higher level than in prewar years despite the 52-million-cubic-foot expansion in gross space since 1939. All previous records for freezer stocks were broken by holdings on September 1, 1946.

Space survey: The biennial survey of cold storage space, made on October 1, 1945, was published in August of the past fiscal year. This report revealed an expansion of 19 million cubic feet in public warehouse net space over the two-year period October 1, 1943, to October 1, 1945. Most of this increase occurred in freezers, to which 17 million cubic feet of space had been added since October 1, 1943. The survey report (29 multilithed pages) includes tables and charts showing space for the United States as a whole, by regions, by States, and in cities with more than three warehouses. Charts and tables were also included on the growth of space from 1925 to 1945 and the percentage of space occupied 1940 to 1945. Approximately 3,000 of these reports have been distributed to those requesting them. (See Figure 7 on occupancy and space in public cold storage.)

State laws: During the past year all State Governments were requested to furnish copies of State laws covering activities of cold storage warehouses. These laws are being compiled and summarized so as to furnish a guide to people requesting such information.

Directory of refrigerated warehouses: A number of requests for a list of warehouses that cooperate with the Department of Agriculture in supplying statistical information on food storage and warehouse occupancy prompted the Division to compile a directory of the cooperating warehouses. The four-fold purpose of this directory was: (1) to extend full credit to cooperating warehousemen, (2) to make available to processors and food handlers information as to what storage facilities are available, (3) to encourage the users of the directory to acquaint us with the names of any warehouses not listed, and (4) to furnish research and statistical users of the Monthly Cold Storage Report with a better idea as to the extent of the present coverage. The directory, to be released in July, will carry names and addresses of all cooperating warehouses, an indication as to their class of business, and a tabulation of net piling space in the respective States.

4. Studies in Progress - Two individual studies are now in progress. One is an investigation of the place of public commercial storages in refrigerated warehousing 1943-46. In this report an attempt is being made to separate holdings in commercial storages from those in private warehouses or processing plants so as to reveal the relative importance of the commercial cold storage. A second study is in process covering the physical characteristics of cold storage plants. The data for this report were gathered in connection with the 1941 space survey, but, because of World War II, it was found impossible to do anything with the information



heretofore. An effort is now being made to bring the data together into some usable form. Such things as the number of floors in warehouses, number of elevators, distances to railroad sidings, number of cars that can be unloaded at one time, number of trucks that can be accommodated at a trucking dock, etc. are included in the report.

5. Special Services - Frequently the Division is called upon by various organizations, trade associations, research foundations, and publishing companies to render special services. Among trade groups to which assistance on specific problems has been extended are the National Association of Refrigerated Warehouses; apple, dairy, poultry, meat, and frozen food associations; and a rather extensive list of trade magazines and newspapers.

6. Fish Reports - The Division is cooperating with the Fish and Wildlife Service of the Department of Interior in compiling a report on monthly holdings and freezings of fish. The results of the monthly surveys are incorporated in the Monthly Cold Storage Report.

7. Margarine Reports - A report covering the total production of oleomargarine in the United States is published each month based on reports received from all producers. The report is of special value because it makes information on oleomargarine production available at least a month sooner than it could be obtained from any other source. It shows the quantity of oleomargarine produced from animal and vegetable oils and the quantity of colored and of uncolored produced from each base. This report is used extensively by producers and dealers in margarine and also by persons operating in related industries, such as butter and other edible fats and oils. It is used by other Government agencies, research institutions, and foundations. About 250 copies of this report are distributed each month.

#### B. Frozen Food and Storage Facilities

One of the newest methods of distributing foods is in the frozen form. The frozen food industry has made very significant developments in the processing and distribution of frozen foods during the past several years. Although frozen foods are still regarded by many as a specialty item, their sales value in 1946 amounted to about \$300,000,000, which is 1.7 percent of the \$18,000,000,000 value of all food sales. Some 730 frozen food processors are marketing products under more than 500 brands, through about 1,200 wholesale distributors and more than 35,000 retailers.

An industry that has grown so rapidly naturally faces many problems of expanding outlets, reducing distribution costs, and developing proper methods of handling.

In response to these needs of the frozen food industry, during the past year we have initiated studies to determine what the possibilities are for developing the marketing of products in frozen form; to learn what the existing methods of handling frozen foods are, which are best, and how



THE [illegible] OF [illegible]

BY [illegible]

[illegible]

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# GROWTH OF PUBLIC COLD STORAGE SPACE AND PERCENTAGE OF SPACE OCCUPIED 1941-1946

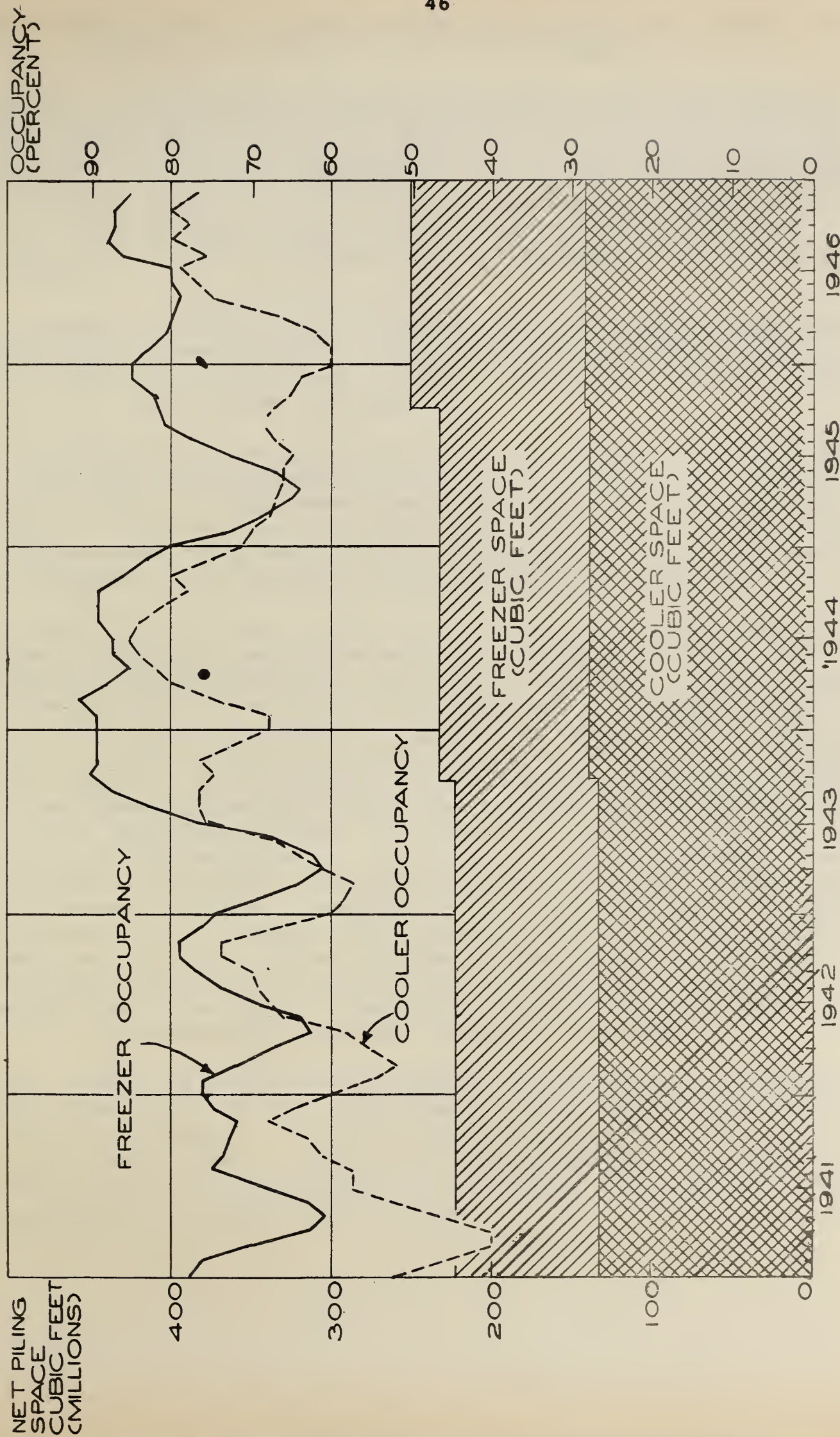


FIGURE 7

Figure 7. - Growth of public cold storage space and percentage of space occupied, 1941-1946.







these methods can be improved; and to try to assist this growing industry in developing an efficient method of distribution.

The need for extensive research in this field is quite noticeable at the produce market centers where distributors of perishable foods are adding frozen foods to their operations. The refrigerated warehousing industry is particularly interested in finding more adequate facilities for handling their frozen food stock so that the warehousemen as well as the other marketing agencies may contribute toward getting the frozen foods from the producing areas to the consumer as efficiently as possible.

As a basis for further study, information has been compiled regarding the historical development and economic importance of the industry, with consideration being given to some of the distribution trends for each of the major frozen food products.

An investigation is being made of some of the factors to be considered in connection with warehousing facilities for frozen foods. In this study an effort is being made to determine what some of the relationships are between areas where frozen foods are produced and areas where they are stored. Data obtained will be examined to see if they reveal the existence of any definite movements and storage patterns.

The study also anticipates giving some consideration to the best methods of handling perishables at the refrigerated warehouse, with the objective of ascertaining the most efficient types of equipment to use in handling foods under various conditions, and of determining what alterations, such as widening of storage room doors, might be made in order to realize a gain in operating efficiency through use of specialized equipment. It is further anticipated that with sufficient investigations answers can be made to numerous requests for recommendations as to the type of refrigerated warehouse most practical in view of storage and equipment trends. For example, inquiries have been received as to whether a single or multi-story building is better, whether elevators should be inside or outside, or how high the ceilings of storage rooms should be for storage items of various density. Refrigerated warehousemen who have long-established businesses as well as persons anticipating entering the storage business have been interested in learning what areas appear to have space in excess of future needs and where the potentialities for further expansion seem best.

There is also the problem of the storage of perishables in rural and rural-urban areas. In many small towns, distant from refrigerated warehouses, there exists a need for small "community" storage facilities and locker plants. Requests have been received for recommendations and specifications for such an enterprise. Consideration of this storage phase is planned in the future.



C. Accomplishments of War Food Order 111

On October 25, 1946, War Food Order 111, which regulated the use of refrigerated storage facilities throughout the United States, was terminated. Part of the provisions of this Order had been in effect since August 1943, and the remaining provisions had been added from time to time during this three-year period as changing conditions made revisions in regulations necessary.

Soon after the first part of the cold storage Order was put into effect in the summer of 1943, its effects became apparent. Records indicate that the removal of items from cold storage because of restrictions in the original provision made available approximately 2,300 carloads of refrigerated space within a short period of time after the Order became effective.

It is estimated that between the period December 24, 1943, the effective date of another part of the Order, and January 31, 1944, space for about 1,700 carloads was cleared throughout the United States directly as a result of this Order.

The provisions on limited storage and excluded commodities remained effective throughout the three years, and it is evident that they kept down the storage volume of these items at times when it was necessary to conserve freezer space.

The addition of the amendment on ceiling inventory commodities proved effective, and it is estimated that this, together with results achieved by means of the 10 months' provision, accounted for the removal of approximately 43 million pounds of frozen commodities during the period April 1 to June 1, 1944. It also forced the packers to hold back commodities in their own plants, thereby insuring fuller use of their space.

When the 10 months' provision was added, its effect was almost immediate. This limitation forced the removal of commodities accumulated in excess of actual needs of the owners. It also served to induce the owners of commodities to step up production wherever these commodities were to be used in processing, thereby accelerating the production of items which require less cold storage space and expediting the movement of these items into consumer channels. An analysis of the reports indicates that during the first 30 days from the effective date of the amendment, enough of the commodities stored for more than 10 months moved out to relieve 5 million cubic feet of space. It is estimated that from 8 to 12 million pounds moved out of storage each month because of the effect of this provision of the Order.

The warehousing industry, as well as the frozen fruit and vegetable packers, agreed that they felt the relief, and that it was less difficult to find new space for packs of frozen fruits and vegetables than it would have been without the operation of the Order.



Another provision which proved of great value in the operation of refrigerated warehouses during the peak loads of the war years was the one which prohibited, with certain exceptions, the holding of space for more than 72 hours from the time the reservation was made. Although it is impossible to furnish data to show the effectiveness of this provision, numerous warehousemen have expressed the opinion that it was helpful in enabling them to utilize fully the space that they had available and that the results from this clause were considerable.

Perhaps the greatest obstacle to smooth, efficient administration of the Order was the lack of sufficient personnel to handle adequately the large volume of work. More help was needed in answering correspondence; in the proper filing of records; in checking reports submitted by the warehousemen; in analyzing applications; and in studying information and data on the storage situation, markets, and transportation reports. Difficulties in complying with provisions of the Order were experienced also by many warehousemen because of the lack of sufficient help to operate their warehouses and also their offices. Due to pressure of work they were not able at times to move the commodities that had been ordered out by owners, and at other times there were insufficient transportation facilities to move merchandise, especially odd lots.

Many times, owners, although willing to cooperate, found it a hardship to comply with the Order. This was true especially of processors who, in the first place, were handicapped by not having sufficient help to operate their plants and, in the second place, by shortages of ingredients needed in their operations. The shortage of sugar for canning, preserving, and baking retarded the movement of frozen fruit from storage. Also, the lack of sufficient shortening was a handicap, and the limited supply of flour tended to cut down operations.

Regardless of difficulties encountered, it is felt that WFO 111 and the preceding orders were necessary, and that they played an important part in the war program. In view of the large amount of space made available in which to store perishable food needed by our armed forces and our allies and to store each new crop as it matured, there is no questioning that the Order was very much worthwhile. The inconveniences that resulted in some cases and the effort involved were more than offset by the service rendered in helping to supply more and better food and in preventing serious losses of perishable food products at a time when they were so much needed in our own country and other parts of the world.

#### D. Priority Applications

During the first part of the fiscal year this Division continued to review applications for priority assistance to obtain critical materials for construction of cold storage plants. In the consideration of such applications the following policy, which was recommended by the Refrigerated Warehousing Industry Advisory Committee, was adhered to in



the order listed: (1) priorities for emergency repairs, (2) priorities for conversion from cooler to freezer, (3) priorities for facilities in critical areas as judged by occupancy shown in the Cold Storage Report, (4) construction priorities only for freezer space or convertible cooler space, and (5) priorities for projects which provide a substantial amount of space in proportion to the materials used.

#### IV. NEW AND SPECIAL SERVICES, STUDIES, AND ACTIVITIES DEVELOPED DURING THE PAST YEAR

##### A. Market Layout

One of the things which has proved to be of considerable assistance in planning market facilities is a market model, which we have developed largely during the past year. This model is built to scale and consists of miniature wholesalers' stores, farmers' sheds, refrigerated warehouses, administration buildings, railroad tracks, refrigerated railroad cars, trucks, and other facilities which might be necessary on a market. By the use of this model it is possible to show exactly how a market would look and how it can be laid out on a particular plot of ground. This is very useful in planning the arrangement of facilities on a site and in demonstrating to interested people in a city where the construction of a market is being considered just what the advantages and disadvantages are of various locations, and thus helps them to choose the site upon which they can get the most efficient layout. The illustrations of markets earlier in this report are photographs of these models arranged to meet the needs of the particular locality. Figures 8 and 9 show in more detail some specific facilities.

##### B. Poultry and Egg Marketing Facilities

Extensive studies of market facilities have revealed that in many markets it is advantageous to have the poultry wholesalers located in the same market area as the wholesalers of other kinds of produce. There is often considerable economic advantage in having a complete line of food commodities available on a market. Therefore, in order to provide a more complete service in this phase of work, our poultry marketing specialist surveys each market studied to determine the needs for poultry marketing facilities.

Poultry marketing studies are integrated with the other studies in order to provide a complete analysis of the needs for marketing facilities in various cities. During the past year poultry marketing studies have been made in New Haven and Hartford, Connecticut; Columbus, Ohio; Columbia, South Carolina; Atlanta, Georgia; Richmond, Virginia; Baton Rouge, Louisiana; St. Louis, Missouri; and Houston and San Antonio, Texas. The existing facilities in general were not designed for the handling of poultry and eggs. Zoning regulations limit the areas and facilities in which poultry wholesalers may operate. As a consequence, many wholesale poultry stores are located in old buildings



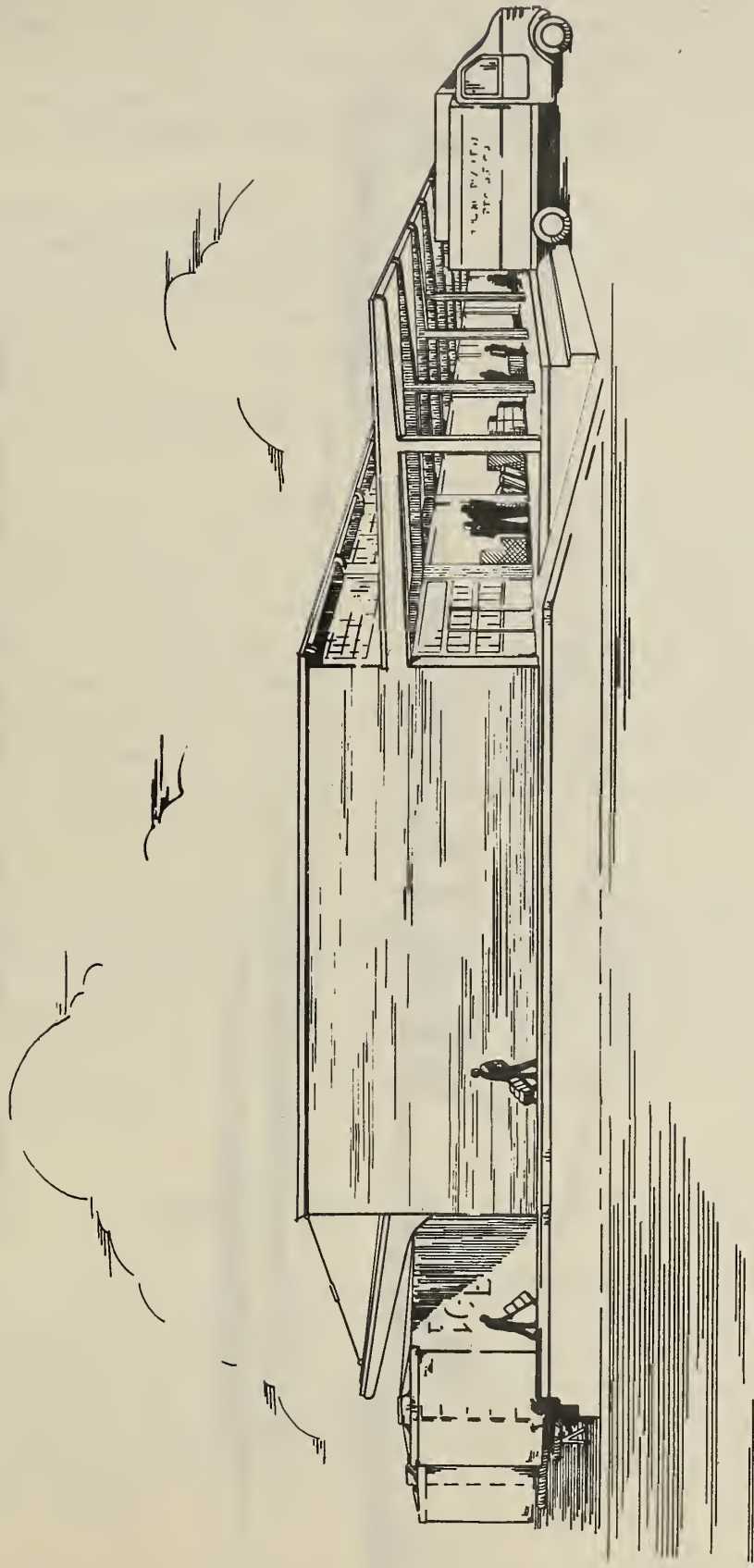


Figure 8. - A wholesale produce building.



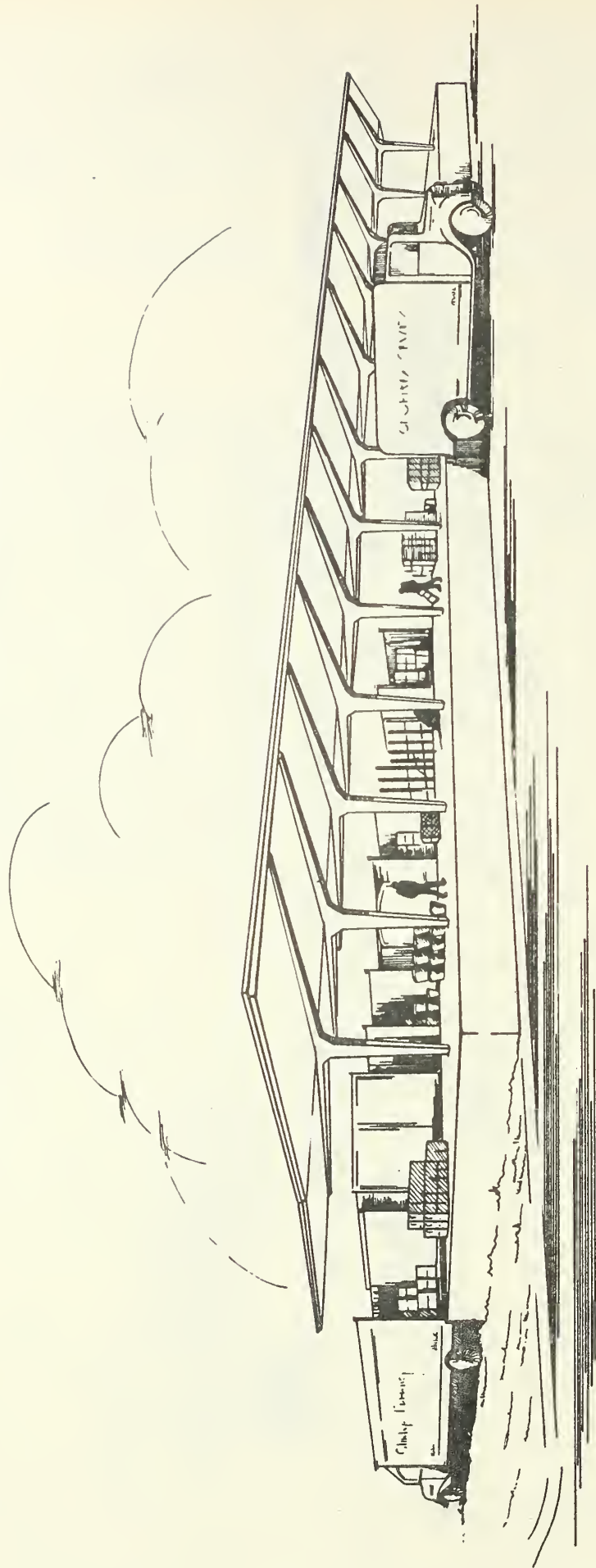


Figure 9. - Design for farmers' and truckers' shed.



which are difficult to maintain and which do not permit the proper arrangement of modern equipment.

Some wholesalers who wish to expand their operations cannot do so because of the limited size of present stores and the lack of stores designed for the efficient wholesaling of poultry products. Many firms have installed chain conveyor systems on a temporary basis until properly designed buildings are available.

We have prepared several suggested poultry store layouts to serve as a guide in developing new facilities. From experience, it has been found that the individual needs of poultry processors in different cities vary widely. It is necessary to consult with individual firms in order to draw up designs which will provide efficient handling and processing facilities. A few of the layouts that have been suggested are presented in Figures 10 and 11.

This Division is also cooperating with the Poultry Branch by participation in its Poultry Marketing Facilities and Techniques Sub-Committee. This Committee is comprised of representatives of the Extension Service, Farm Credit Administration, Poultry Branch, and the Marketing Facilities Branch. The poultry marketing activities of these agencies are coordinated through this Committee. Joint projects have also been formulated upon which progress is being made. The Marketing Facilities Branch has also cooperated with the Consumer Relations Sub-Committee of the Department's Poultry Committee in the development of its program.

Considerable time was devoted to the assembling of pertinent marketing facilities information for the Poultry and Poultry Products Advisory Committee. This information was prepared especially for the Poultry Commodity Committee to assist in formulating a proposed program for the Research and Marketing Act of 1946. The members of the former Committee assisted the Poultry Commodity Committee during their meeting on May 6 and 7, 1947.

### C. Livestock and Meat Market Facilities

The livestock and meat phase of marketing facilities work was started in late 1946. Since such facilities had received but little attention in the past, it was first necessary to inventory the field and determine the type of facilities that are most needed and the general location in which facilities should be established in order that they make the greatest contribution in the marketing and distribution of livestock and meats.

A definite trend has been under way during the past quarter of a century in the decentralization of livestock marketing and meat processing.



This movement has created considerable confusion in the field of livestock marketing because it has meant the establishment of numerous small markets and processing plants in the producing territory, and consequently has adversely affected the volume of many of the large terminal livestock markets. Therefore, it was thought desirable to study a number of the older and more important markets throughout the United States, determine their present operations, and compare them with operations in the early 1920's.

Forty of the most important public livestock markets, which have operated throughout the entire period under consideration, were selected. An analysis of their volume and operations was made for the years 1941-45 and compared with the 1921-25 period. The total receipts, salable receipts, local slaughter, stocker and feeder shipments, and total shipments for the various species of livestock handled on these markets were taken into account. Many of the older and more familiar markets, such as Baltimore, Buffalo, Chicago, Cincinnati, Cleveland, Indianapolis, Jersey City, Kansas City, Louisville, Nashville, New Orleans, Omaha, Pittsburgh, St. Joseph, Seattle, and Wichita, had lost considerable business during the 20-year period. In fact, when all of the 67 public stockyards were taken into account, the hog receipts had diminished during the 20-year period on an average of 27 percent, and the cattle, calf, sheep, and lamb receipts had not kept pace with the total livestock slaughter in the United States.

Furthermore, it was observed that the salable receipts in relation to the total receipts on many of the 40 markets were becoming less important. This means that on those markets where this condition exists, the markets are serving as a delivery point for livestock that has already been purchased or as feed, water, and rest stations for livestock in transit. In either case they are becoming of less importance as market places where livestock is bought and sold.

For those markets that had increased their volume of business during the 20-year period, in relation to the increase of livestock production and total slaughter in the United States, it was significant to note that either the local slaughter taking place on the markets had increased considerably or the stocker and feeder phase of the business had been greatly expanded. In a few instances both increased local slaughter and increased stocker and feeder businesses were responsible for improved market receipts. In other words, the purchase and sale of slaughter livestock to be reshipped to other points for processing is becoming of less importance in determining the volume of livestock that flows to most of the large markets. It should also be added that many of the 40 markets under consideration that had the greatest increase in volume percentage-wise were the newer markets with relatively small receipts in the early 1920's.

These points are important and should be carefully considered in making plans for developing new or reorganizing old livestock marketing and processing facilities in the future. Without such information



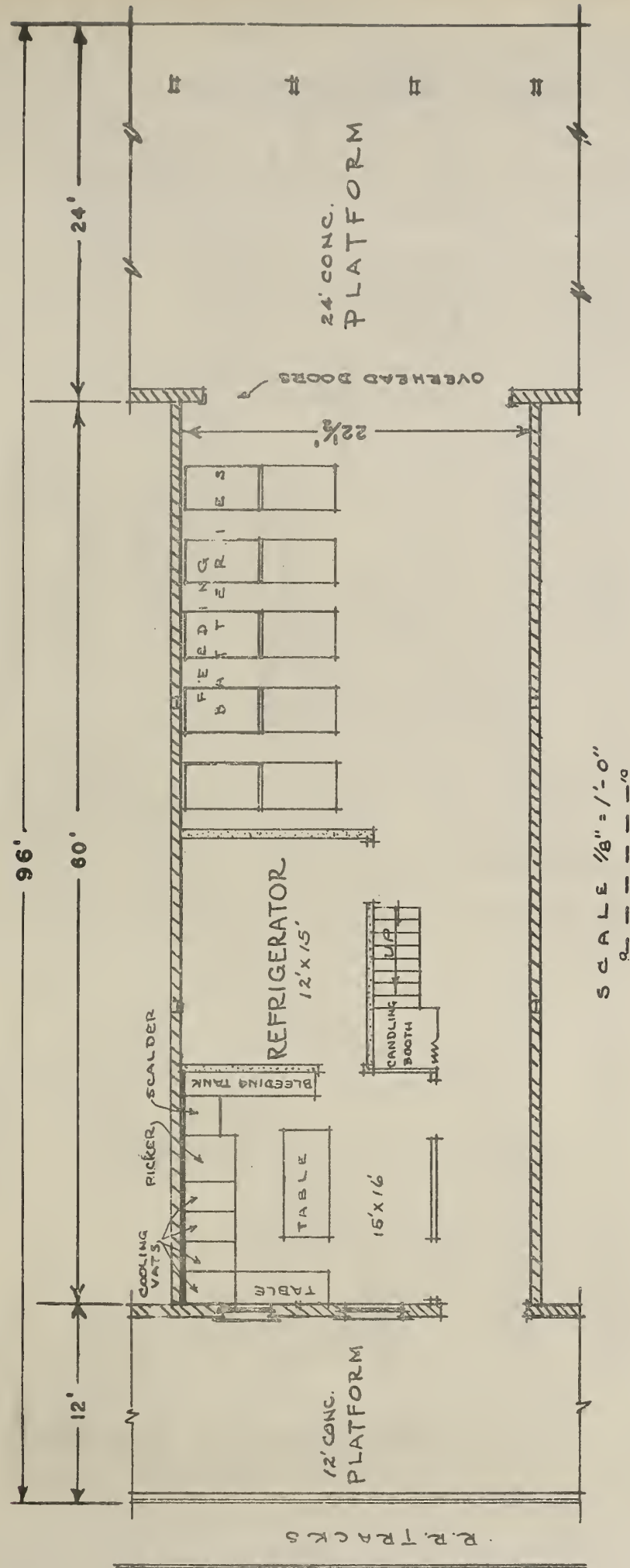


Figure 10. - Suggested layout of a wholesale poultry and egg store.



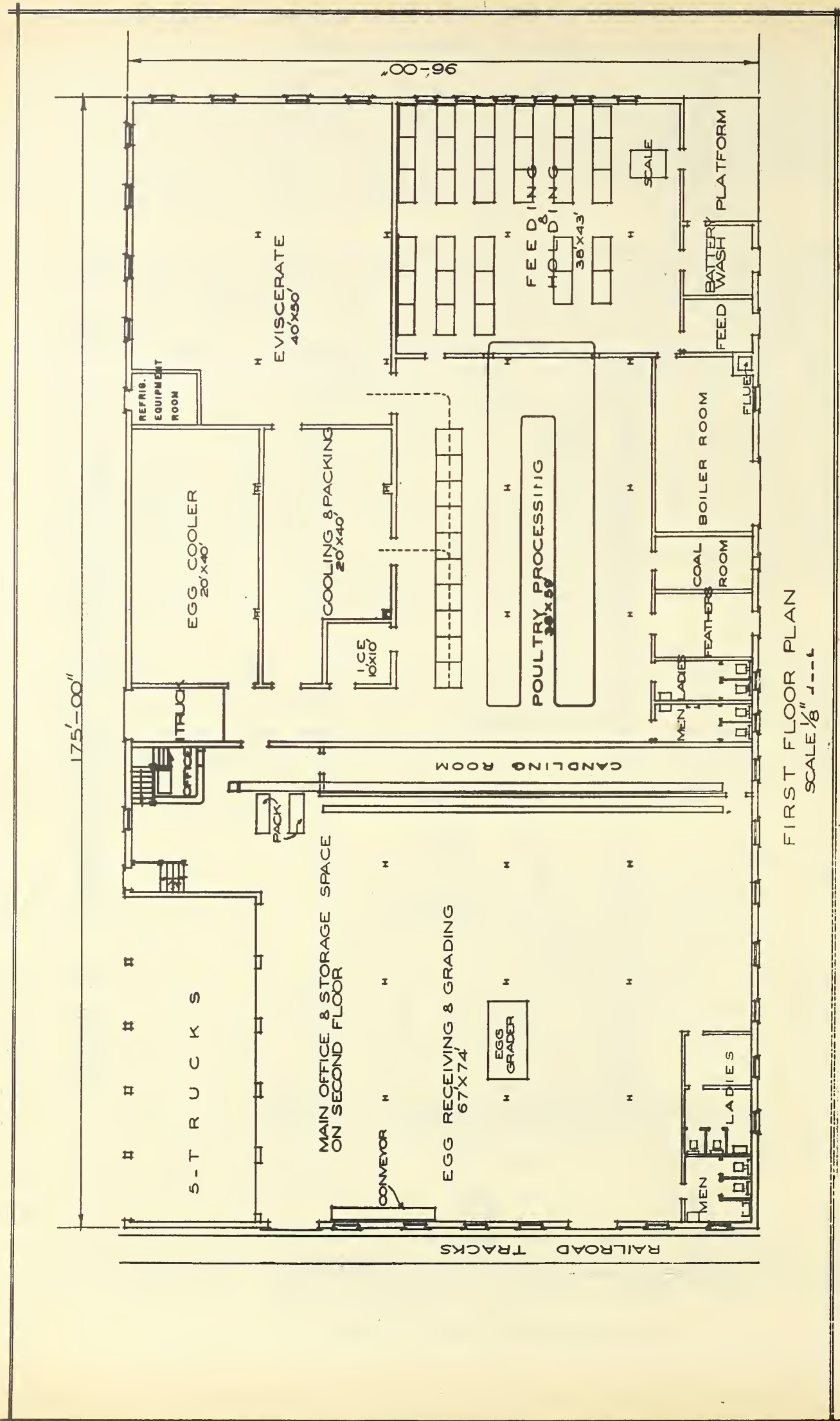


Figure 11. - Suggested layout of a poultry and egg processing plant.



and its adoption and use, in the development of future facilities on our larger public markets glaring mistakes would be inevitable.

A survey as to number and location of all the posted and unposted public livestock markets in the United States was made during recent months. The 200 posted markets, which are operated under the supervision of the Packers and Stockyards Act, are located throughout the heavy livestock production and feeding territory, with concentrations in the Southern Great Plain and in the Corn Belt. The 1,900 unposted public livestock markets are distributed more generally throughout the United States, with the heaviest concentration again in the Corn Belt. The Eastern and Southern States have a considerable number of small livestock markets, as have the Pacific Coast States. Colorado, however, has more livestock markets than all the other Inter-Mountain States combined.

The number of small livestock markets has increased very rapidly during recent years. Such markets would require a considerable amount of study to determine the most efficient and satisfactory type of facilities needed for handling the varying amounts of livestock consigned to them for sale, and also to determine more adequate and satisfactory methods of handling the livestock sold.

Changes in the methods of processing and distributing meats are being given increased attention by some of the larger meat packers and chain retail stores. Packers are experimenting with new cutting procedures at the packing plant, wherein carcass meat is being cut, trimmed, boned, and wrapped in consumer-sized packages. The consumer cuts are expected to be offered for sale either in fresh or in frozen form, but in either case each package will be stamped as to the kind of cut, quality, grade, weight, and price. Chain stores are looking forward to offering consumer cuts of meat to the public on a self-serve basis just as soon as packers make meat available in this form, and the necessary freezer cabinets become available for use at the retail level.

It is thought that meats can be processed into consumer-sized packages at the packing plant and handled in the channels of trade more economically than is now possible under present methods of handling. This method of handling meats deviates from the method of handling them by freezer locker plants in that the meats are offered for sale at the retail level. Since the locker plant method of handling meat has proved to be so popular in rural communities, it is to be expected that consumer-sized package of meat in the fresh or frozen form will prove to be popular in retail markets.

Frozen food locker plants have grown very rapidly in number and size during recent years. From less than 1,300 in 1938 the number of these plants has expanded to over 8,000 in 1946. At the same time the average number of individual food lockers per plant has increased. This increase in numbers has resulted in a more general distribution of the



plants throughout the entire country, but the greatest concentration of numbers is still in the heavy livestock producing area in the Middle West. Heavy concentrations of locker plants also are found on the West Coast in the areas surrounding Los Angeles, San Francisco, and Portland and in the State of Washington.

Attention should be given to the establishment of more plants of this kind in the Southern States where supplies of meats and fresh fruits and vegetables are available for freezing. They would serve not only as additional market outlets for locally produced products, but should contribute greatly to the nutritional values in the diet of many southern people.

#### D. Equipment

Until this year most of our market facilities work has been largely confined to a study of the physical structures of the market layout and buildings, and we have not been in a position to study the equipment, such as conveyor systems, elevators, lighting, refrigeration rooms, ripening rooms, etc., that go into the buildings and which play a very important part in the efficiency of market operations. During the past year we were able to add this feature to our market facility studies, and we expect it to become a more important part of them as time goes along.

The following equipment studies have been undertaken by the Branch during the fiscal year just ended:

1. Equipment for the Handling of Perishable Farm Products - During the fiscal year, marked progress has been made in the study of equipment and techniques used in the handling of perishable farm products that pass through concentration and terminal market channels. The equipment in general use ranges from the familiar two-wheel hand truck to a highly efficient system of gravity and power-driven conveyors. Power-driven trucks are also in use. The unit load principle of handling--that is, the moving of a large number of items or packages in a single operation--is rapidly gaining favor. It is felt that a great deal of interest has been created throughout the industry in finding better methods of handling through the use of labor-saving devices, both electrical and mechanical.

Data on costs of handling with varying kinds of equipment have been gathered both from wholesale establishments which have equipment in actual operation and from equipment manufacturers. New developments in equipment are being closely followed to ascertain their application to the industry. Studies are under way to determine their economic value or justification and other benefits that may be found. Although no special bulletin on handling equipment has been compiled as yet, chapters on suitable equipment have been incorporated in reports on wholesale concentration and terminal markets published by this Branch. Publication of a separate bulletin is planned for the coming year. Figures 12 to 16 illustrate items of equipment, some of which are in general use and others are used to a limited extent in handling perishable farm products.



2. Equipment Used in the Processing, Repacking, and Prepackaging of Farm Products - A start was made during the fiscal year in obtaining data on equipment used in processing, repacking, and prepackaging. Although prepackaging is comparatively new, it is attracting wide interest. Information on sorting, grading, cleaning and washing, drying, and inspection equipment as used in the preparation of certain farm products for the market, such as rooted and bunched vegetables, is being gathered from individual operators in the various parts of the country and from manufacturers of the equipment.

3. Ripening, Holding, and Refrigerated Rooms for the Conditioning and Preservation of Perishable Commodities - In this project, efforts are directed towards the study of existing tomato and banana rooms in wholesale establishments from the standpoint of construction, operation, refrigeration, and heating requirements. Conditioning rooms must be properly built and equipped so that the fruit may ripen properly and retain its quality and appeal. Cooler rooms for the temporary storage of perishable products are also under study to determine the best method of construction, size, operation, and the most desirable location within a wholesale establishment.

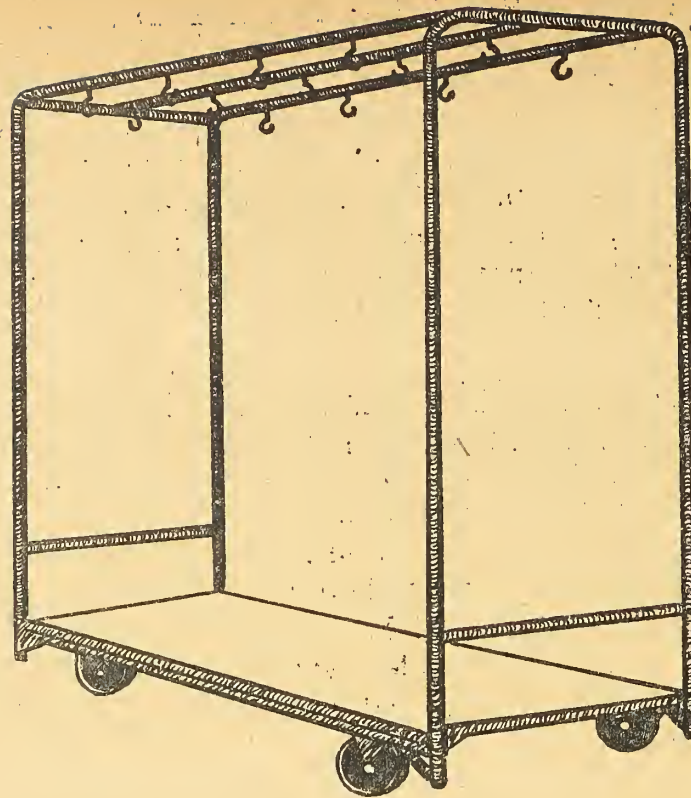
4. Additional Equipment and Technical Data - Other data being gathered include equipment used in the poultry and egg industry. The use of this type of equipment is obtained from first-hand inspection of existing poultry and egg processing plants, as well as from manufacturers of the equipment. Also, data on ventilating systems, communications, and electric power and lighting requirements for specific processes as well as for an entire market area are being collected.

#### E. Handling Methods

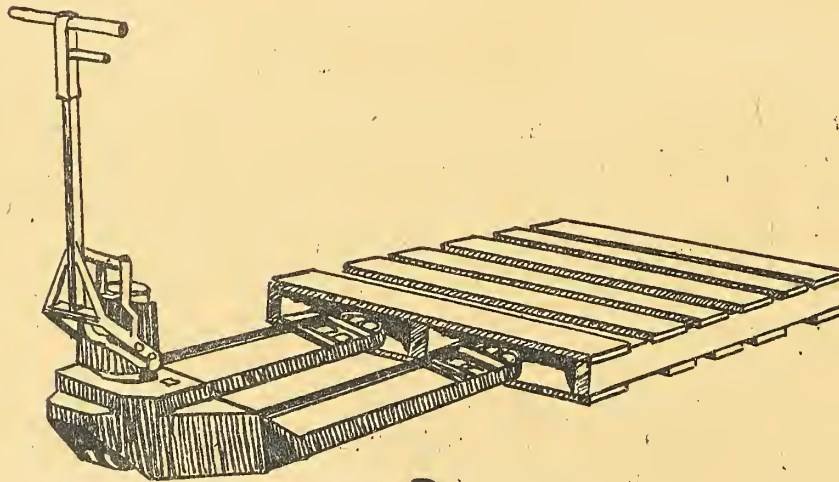
Market surveys made by this Branch have revealed glaring inefficiencies in the methods currently employed in unloading produce from refrigerated railroad cars and motortrucks at the store platform and in transferring it to holding rooms within the building. It was with a view toward reducing these inefficiencies that a study was initiated during the latter part of the fiscal year. This study, undertaken in cooperation with the trade, attempts to determine what the existing handling methods of selected perishable commodities are, what costs are involved, and what the man-hour requirements are under various methods of unloading and storing commodities.

This project is in its initial stages, with pilot measurements having been made at selected establishments. After adequate data have been compiled, an analysis will be made of the different methods, be they electrical, mechanical, or manual, currently used by the industry. An attempt will be made to outline the relative merits of each method and to point out its advantages as well as its weaknesses. It is also the intent and purpose of this project to bring out any new developments in the technique of handling perishable commodities. In general, the project will single out the most efficient and practical method or methods of handling produce, and this information will be made available to interested persons





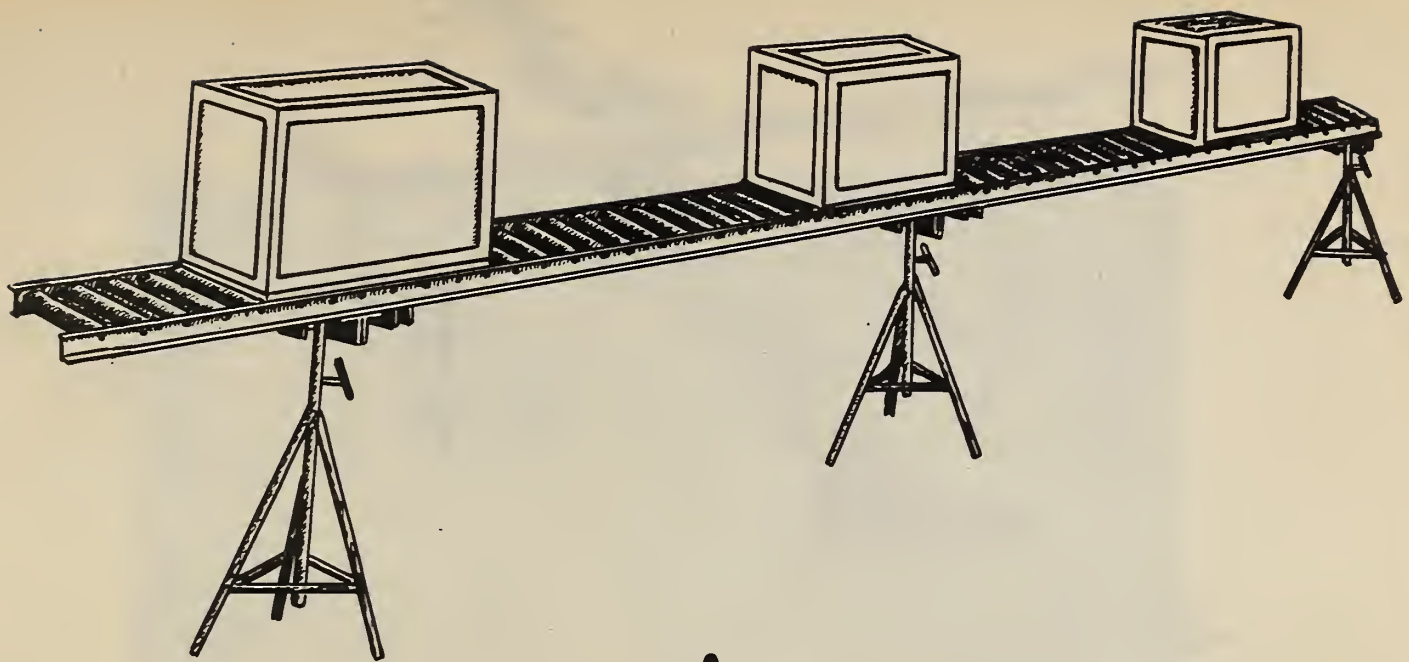
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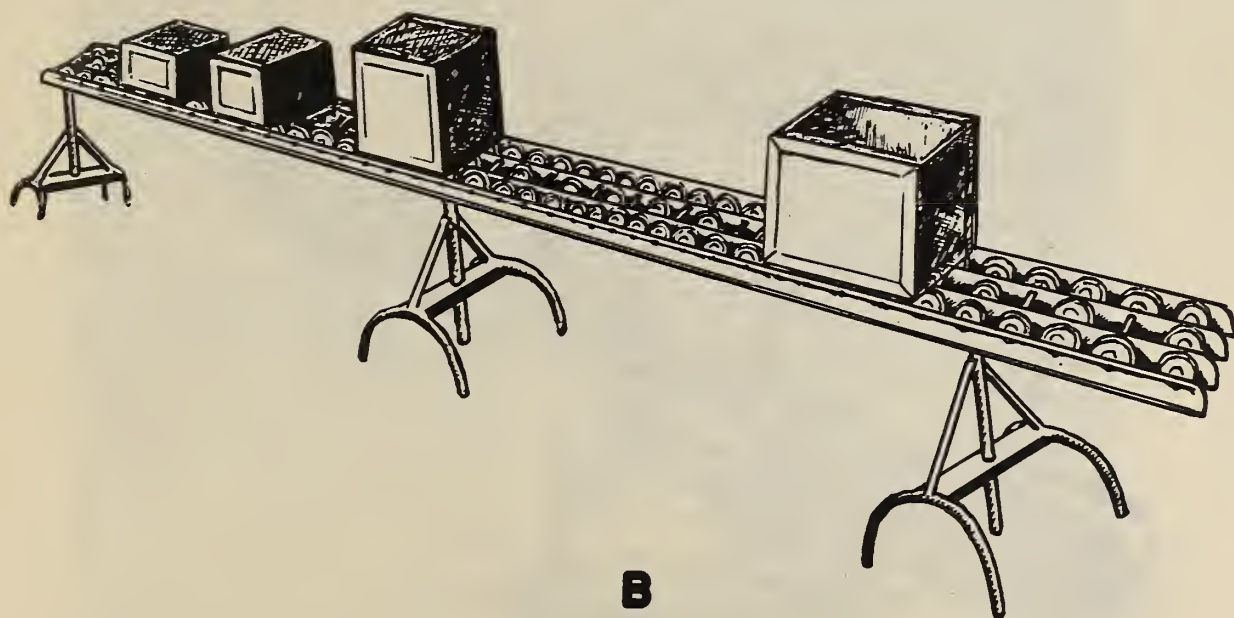
B

Figure 12. - (A) Banana truck, (B) hand lift truck for pallets.





A



B

Figure 13. - Gravity conveyors: (A) roller type,  
(B) wheel type.



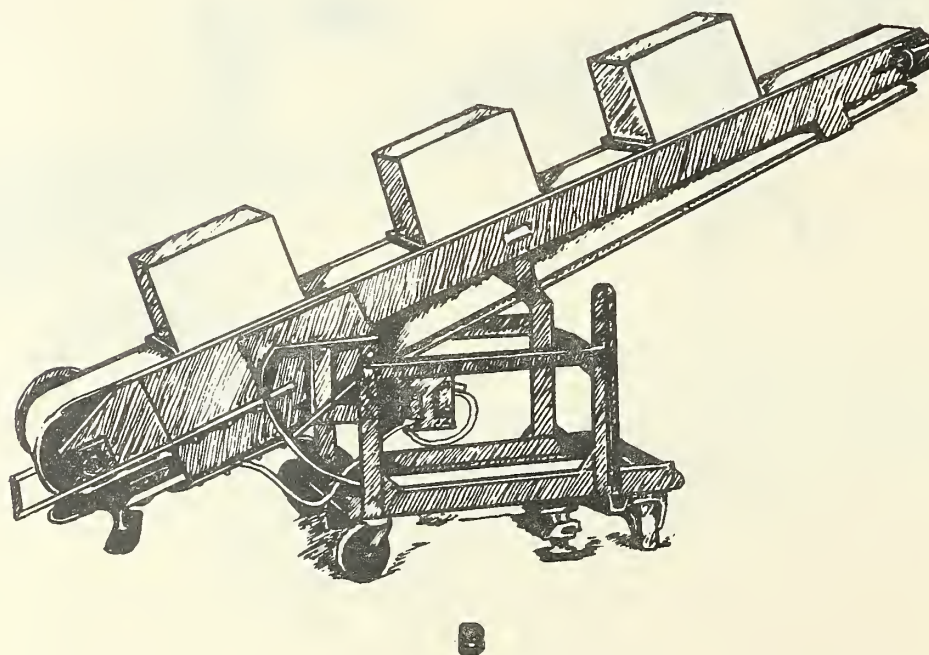
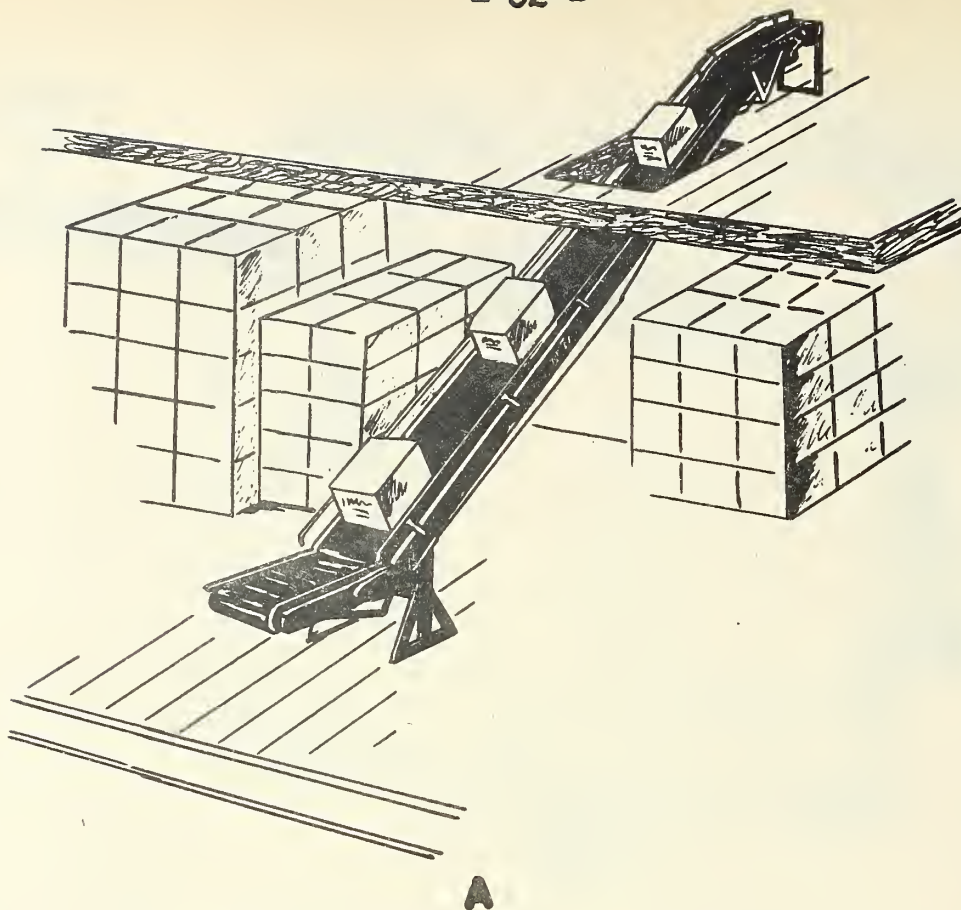


Figure 14. - Power-driven belt conveyors: (A) permanent installation, (B) portable type.





Figure 15. - Four-wheel truck.





Figure 16. - Handling a pallet load of onions by means of the fork lift truck.



so that it may be used in helping to solve the problem of reducing handling costs at the wholesale level.

#### F. Market Managers Association

In connection with our work in planning and promoting market facilities, we have occasion to visit many farmers' and wholesalers' markets throughout the country in both producing areas and large cities to discuss marketing problems with the market masters or managers. On numerous occasions these people have expressed the wish that they had more opportunity to meet with other market masters for the purpose of exchanging ideas, learning how things are done in other markets, and working together in solving problems they have in common.

As a result of this interest we were approached with a request to take the initiative in bringing about a national conference of market managers at which a permanent organization could be formed. Many felt that such an association held numerous possibilities as an instrument to improve marketing and distribution of food products.

In response to this request we wrote to key marketing people in about 30 States asking for their views as to the possibility and desirability of setting up a managers' association. They all responded favorably and in many cases enthusiastically. It was then decided to call together a small group of market managers from different sections of the country to plan a general conference. This group of managers met with representatives of the Division, the Farm Credit Administration, and the Extension Service in Washington during the early part of February to discuss plans for a national meeting of managers. The result was a 3-day conference held during May in the Auditorium of the Department of Agriculture. About 200 managers and marketers from over 30 States were in attendance. After deliberating, the managers present formed a permanent organization known as the National Association of Produce Market Managers.

#### V. OUTLOOK ON CONTINUING PROJECTS

In the field of warehousing and refrigeration, during the coming year increased emphasis will be placed on the planning and design of facilities and methods of handling products through such facilities. While storage regulations and priority controls have been abolished in the past year, there, nevertheless, is a strong possibility of encountering some critical storage situations in the next year or so, particularly in freezer storages.

Building materials are still limited for use of construction of new warehouses, and there no doubt will be some caution on the part of warehousemen in expanding facilities until they are in a better position to gauge the possibilities of their future business. Many existing warehouses are in urgent need of new equipment and repairs as a result of the strain that has been placed on them during the past few years; therefore, as materials and equipment become available, they will be



used largely for renovations of existing plants. Under these circumstances, it will be necessary for this Division to continue to make studies on the more efficient use of warehouses and disseminate information regarding space availability and adequacy.

Studies which have been initiated to develop better facilities and methods for handling frozen foods will be continued.

It is expected that most of the projects we now have under way in studying facilities in terminal and concentration markets will be completed before the end of the new fiscal year. Sponsoring groups in a number of these cities have plans to start the construction of their markets in the near future. This is true of Houston, Texas; St. Louis, Missouri; Columbus, Ohio; Hartford, Connecticut; Atlanta, Georgia; Benton Harbor, Michigan; and Miami, Florida. It is anticipated that work will be started on building in all of these markets by July 1948, and some of them should be well along towards completion. Construction of the Jackson, Mississippi, market is already under way, and it is scheduled to be finished by the first of the year.

As reports on our market facility surveys are completed, new studies will be gotten under way just as rapidly as our personnel can handle them.



## WAREHOUSE SUPERVISION DIVISION

### Introduction

During this fiscal year the work of this Division was in two fields: (1) the administration of the United States Warehouse Act and (2) the approval and supervising of warehouses used by the Department for storing certain products which it acquired for various purposes. This latter activity also includes the inventorying of the products and inspecting all stored products for condition. By far the major portion of the Division activity centered in the administration of the Warehouse Act.

#### I. INSPECTION OF NON-LICENSED WAREHOUSES

With respect to warehouses in which the Government stores products which it acquired during the past year, attention was given in two directions: (1) Inspections were made of storage facilities which it was proposed to use to see that they were proper facilities--that is, that they would adequately protect the Government's property against spoilage and deterioration, and that they were operated by competent and experienced management which had in its employ properly trained personnel. Generally speaking, whenever possible such inspections were made before Government property was placed in the warehouses. If any house or its management was disapproved, it was not supposed to be used. (2) Inspections every 60 days subsequent to the original examination were directed to the character of the facilities, the condition of stored products, and the inventorying of the products. If products were found to be deteriorating or in any manner improperly stored, such as on damp floors, in contact with walls, not upon proper dunnage, in rooms having too high temperatures or humidities, or any one of a number of other improper situations, reports were made to the Shipping and Storage Branch, which placed the products in storage, with appropriate recommendations for action. These inspections did not apply to all warehouses used by the Department in its purchase and price support programs. For instance, they did not apply to such products as cotton, tobacco, grain, wool, and peanuts. Neither did they apply generally to so-called pier warehouses. The service did extend to the usual commercial and refrigerated warehouses and Department-owned products stored therein, such as processed fruits and vegetables, dry skim milk, dried eggs, meats and meat products, fish, flour, dry beans, frozen shell eggs, cereals, cheese, etc.

The number of supervisory offices devoting attention exclusively to that kind of work was reduced from seven to one. The work of the other offices has been consolidated with the work under the Warehouse Act and supervision performed by the same men who have been supervising the Warehouse Act activities. This has resulted in the elimination of six supervisors and a majority of the examiners. At the beginning of the year there were 35 persons engaged in this work. There are now but 6 who devote their time exclusively to this work. One operates out of New York, one has been detailed to the Midwest area and operates out of Indianapolis, another devotes full time to that area, and two devote their whole time to



the Pacific Coast area, and one devotes his time to the Washington office. At all other points the work is being performed by examiners under the Warehouse Act, with a record kept of the proportion of their time spent on this type of work so that the correct appropriation may be charged. This has resulted in a saving of about \$150,000 per annum. The reduction in force commenced shortly after the beginning of this fiscal year and was practically completed by the first of December. Generally speaking, a higher grade of supervision is being extended in that personnel with years of experience in examining and supervising warehouses is now engaged in the work, and the supervisory personnel is of higher caliber than that engaged in the work during the previous fiscal year.

## II. WAREHOUSE ACT ADMINISTRATION

### A. The Warehouse Situation Generally

Work in connection with the Warehouse Act administration has continued in the usual manner.

The primary purpose of this law is to convert stored staple agricultural products into a form of collateral that will be generally acceptable for loan purposes. This is accomplished through careful but friendly supervision, proper warehousing, and the medium of a warehouse receipt. The law authorizes the Secretary of Agriculture to license warehousemen who can meet the requirements of the Act and the regulations promulgated thereunder. To make sure that the requirements or standards for licensing can be met, provision is made to inspect the warehouse facilities of any warehouseman applying for a license. This inspection aims to determine (1) that the warehouseman has a proper facility for storing the product in question; (2) that it is properly equipped to care for the product while in storage; (3) that the financial responsibility and reputation of the warehouseman are satisfactory; (4) that the warehouse is equipped with proper scales and inspection equipment; (5) that employees, such as superintendent, samplers, weighers, inspectors, and graders, are competent to perform their respective duties; (6) that the property is legally under the control of the warehouseman; and other details which enter into protecting the commodity stored and making sound collateral.

But sound warehouse collateral is not made solely by making the above-mentioned determinations and licensing a warehouseman. Those are only the initial steps. After licensing comes supervision of operations--not continuous, but sufficiently thorough and frequent to make certain that the law and regulations are observed and receipt holders protected. Upon each inspection sufficient products must be found in each warehouse to cover all outstanding receipts and to care for all storage obligations of the warehouseman. With some commodities this becomes a painstaking and complicated task which can be performed only by examiners who are thoroughly trained and experienced. For instance, in grain elevators there are tanks, bins, and interstices, each containing grain of a certain class, kind, and grade. In the same tank or bin may be deposited grain belonging to 10 or 20 or more different depositors, to each of whom was issued a receipt by the warehouseman which recites the class, kind,



and grade of grain deposited; the amount of dockage it contained; and the number of pounds of grain. The contents of each of the bins, tanks, and interstices must be sampled, inspected, and graded to see that sufficient grain by class, kind, and grade is in the elevator to support all outstanding receipts. This is not a job that can be done in a slipshod manner or by untrained personnel. It takes several years to make an experienced grain man into a reliable warehouse examiner. Proper warehouse inspection does not consist merely of a superficial examination of storage facilities. It goes beyond even a thorough examination of facilities. It encompasses a thorough inspection of facilities and, in addition, inventorying and inspection of stocks and a general appraising of the warehouseman and his entire operation, financial structure, and his dealings with the public.

During the year the following products could be stored under the Warehouse Act: cotton, grain, wool, tobacco, sirups, dry beans, broomcorn, cottonseed, cherries in brine, dried fruits, canned fruits and vegetables, cold pack fruit, and seeds. Grain includes all the cereal grains, such as corn, wheat, rye, oats, barley, grain sorghums, soybeans, rice, flaxseed, and field peas. The combined value of all products handled through federally licensed warehouses during the fiscal year 1947 is estimated at over 4 billion dollars, and, as far as is known, the record that no holder of a federally licensed receipt has legally lost anything still continues. The cost of supervision under the Warehouse Act was at the rate of \$1.00 for each \$7,400 of value of products.

There are approximately 1,300 warehouses under federal license. These are supervised by a staff of 108 persons, 13 of whom are in Washington. Of these, only 4 are supervisors, 1 is a warehouse examiner, and the other 8 are engaged in clerical capacities. In the field there are 95 employees, 9 of whom are supervisors, 18 are clerks, and 68 are examiners. The examining staff in the grain work is too small. It is not sufficient to maintain the standard of supervision which the Department aims to have or to undertake certain investigational work which naturally grows out of a regulatory operation as large as is involved in the Federal Warehouse Act. In addition to having an adequate examining staff, there should be 2 or 3 high-class men to do special investigational work.

Some fields show progress; in others there is hesitation; and in others there is a backward movement. For the first time in 15 years the work in connection with cotton warehouses has gone backward. This is a natural development. Stocks of cotton for 12 years or more had been accumulating in warehouses. For a number of those years the carry-over stocks were the highest on record. Crops were fairly normal until last year. With the cessation of hostilities, the stocks in cotton warehouses began to dwindle and are now practically depleted--they are the lowest that we have seen in the past 20 or more years. The short crop of last year did not increase them, and the prospects for increased storage stocks for this year are not promising. The result is warehousemen are relinquishing space which they had temporarily leased, and some of them are even leasing



to others some of their own facilities. Consequently, the licensed storage capacity has decreased.

In the grain field further progress has been made. A limiting factor to progress in this field is the inability of the Department to find competent personnel. Further substantial progress could be made in this field if the necessary examiners were available, and some fundamental research should be performed which cannot be done successfully without properly trained men.

The wool end of the work has slipped some, due largely to the fact that one warehouseman who is operating a chain of warehouses was insisting on conducting his houses in a manner which was contrary to the Act, the regulations, and sound warehousing. The Department therefore found it necessary to suspend his licenses and, finally, to let them expire. This situation suggests the need for legislation which would correct such conditions and oblige warehousemen to operate properly.

In view of the decrease in cotton warehousing and the unpromising outlook, steps have been taken to reduce the staff engaged in the cotton warehouse supervisory work. The money freed by this reduction will become available for use in the grain end of the Division, assuming, of course, that the Congress provides at least the same amount for the fiscal year 1948 as it did for the year 1947. If it does not, then the saving in connection with the cotton work will have to be applied to meeting the reduction in appropriation, and no increase in the grain end of the work can be undertaken.

#### B. Irregularities under the Act

As usual there have been certain irregularities during the course of the year. Many of these were not of such a nature as to justify suspension of licenses, but they had to be corrected immediately. Four special investigations were made during the year, all in connection with irregularities in the cotton end of the project, and all of which involved criminal action. These irregularities all took place in the Mississippi Valley. One involved the issuance of fraudulent receipts and the converting to his own use of about 50 bales of cotton by one of the principal employees in a rather large cotton warehouse. The result of the investigation was that the employee was finally indicted. He pleaded guilty and was sentenced on April 11, 1947, to 6 months on the first count, which was to be served. On the other counts he was sentenced to 2 years in the penitentiary, but the sentence was suspended and the defendant placed on probation for 3 years. The second offense which was investigated involved the raising of weights on 32 warehouse receipts, covering 32 bales of cotton. These changes ranged all the way from 8 pounds to 100 pounds per bale. Careful investigation developed that the party to whom the receipts were issued happened to be a cotton producer and was evidently the party who changed the weights on the receipts. At first he denied the charge, but the evidence was so convincing that the case was referred to the Department of Justice, which entered suit. He finally filed a plea of nolo contendere, and the Court imposed a fine of



5 years' imprisonment but immediately suspended the fine and placed the offender on probation for 5 years, the condition of the probation being that he violate no State or Federal law during the period and that he should report to the probation officer every 3 months. In the third case, the superintendent of a warehouse and the bookkeeper were both indicted for having issued fraudulent receipts and having converted the receipts to their own use. The case was set for trial. The bookkeeper pleaded guilty. The manager at first denied guilt, but finally he pleaded guilty in the hope that the Court would be lenient in sentence. At this date no information has been received as to what fine has been imposed. The fourth case involved the changing of weights on 2 warehouse receipts which had been issued for 2 bales of cotton, weighing 518 and 519 pounds, respectively. These weights were changed to 578 and 579 pounds. The weights were changed after the receipts had been sold to a third party. This case was referred to the Department of Justice, but it has not gone to trial. In all 4 cases the offenses were quite similar, namely, the changing of the weights on the warehouse receipts, the selling of the receipts, and converting the proceeds to the use of the party selling the receipts; but the holders of receipts suffered no losses.

C. Insurance of Grain by Warehousemen  
in Chicago Market

Early in 1947 the largest grain warehouse operator in Chicago adopted a rule that all grain which he stored would be insured regardless of the wishes of the depositor. This rule caused quite a stir in the Chicago market in view of the fact that it was quite at variance with what had been the practice in the past and at variance with the rule of the Chicago Board of Trade. However, the rule was in conformity with the regulations for grain warehousemen under the Warehouse Act. Remonstrances were made to the Department in the hope that the Department would require the warehouseman to revoke the rule. Several meetings were held with representatives of the Chicago Board of Trade and others who were protesting the rule. Various reasons were alleged to support the protest; however, the Department considered all of them and, with the cooperation of the warehouseman, met all the issues but did not require the warehouseman to revoke the rule. This case resulted in the Department analyzing the practices with respect to insurance in the Chicago market and the kind of coverage that was extended to the warehousemen. Since then the Department has been negotiating with the underwriters with a view to securing a still better form of coverage, even though the form in use by the warehouseman provided better coverage than was ordinarily had in that market. The Department is hopeful that it will get a form of coverage which will extend protection to all holders of receipts in licensed elevators from the time that the grain enters the custody of the warehouseman until it ceases to be in his custody; in other words, it is trying to get a form of coverage somewhat comparable to that which has been in use for a number of years by cotton warehousemen licensed under the Act. If it succeeds, this will serve as an entering wedge to securing for all grain warehousemen a more complete and more adequate coverage than they have had in the past.



#### D. Requests for Storage of New Commodities.

During the year several requests were received for the storage of commodities that are not now on the eligible list for storage under the Warehouse Act. From Colorado a request was received to store rabbit wool in federally licensed warehouses. From Oregon a request came to place peppermint oil on the eligible list. Requests have also been received to store various seeds which are not now eligible. For the first time in years an interest has been manifested in the storing of cottonseed. Requests have also been received to store cottonseed oil and cottonseed cake. A large dairy cooperative has inquired about storing some of its products under the Act so as to aid it in its financing. It is represented that other organizations have a similar interest and would use the Act if available to them. These cannot be stored without first making preliminary investigations to determine the behavior of the commodities in storage, whether or not they would lend themselves to storage under the law, and whether proper regulations could be developed. With no increase in appropriation for this specific purpose, nothing could be done in these fields.

#### E. The Problem in Grain Warehousing

As before indicated, storage of agricultural products awaiting marketing is not constant. It is determined largely by two factors: (1) production and (2) demand. Surpluses of crops always mean more warehousing. The cotton end of the work during the past 15 years was a good illustration of the effect of surpluses on warehousemen. Each year during that period the Department was obliged to license more and more warehouses for the storage of cotton. In the past year the surpluses have practically disappeared, and stocks are at new lows, with the result that the total licensed storage capacity is decreasing. On the other hand, in the grain field, while there has been unprecedented demand for grain, large crops also have made demand for storage, particularly during the harvest months and shortly thereafter. In this field the licensed capacity is increasing. With a view to avoiding overstaffing, these changes in the number of licensed warehouses and capacities are carefully followed from week to week and adjustments made in personnel.

There is often a misunderstanding as to what is involved in the administration of the Warehouse Act and what would constitute an adequate or proper personnel for the administration of the law. Licensed capacities of warehouses or the number of warehouses are not the sole criteria as to what is involved in administering the law. Stocks in warehouses are not fixed; they are constantly changing. This is particularly true during the harvesting season and even throughout the whole year because stocks move from country houses to concentration and terminal points. In the beginning of the season stocks move rapidly through the country houses to subterminal and terminal storage points. Toward the close of the season country houses will remain filled, but during the balance of the season these year-end stocks are moved to the terminals, or stocks may move from a subterminal to a terminal house or from one terminal house to another.



terminal house. A country house may handle 15 or 20 times its storage capacity during the harvest season; a subterminal house, 5 or more times its storage capacity; and even terminals may handle considerably more than their fixed storage capacity.

The problem involved in inspecting grain elevators is more than just finding a certain number of bushels of a certain grain in the warehouse and checking to see whether the warehouse as a storage facility is adequate. The Warehouse Act aims to insure the safety of warehouse receipts. If it does not do that, it serves no purpose. The only way receipts can be protected is to make examinations of such a character that upon completion of the examination the Department can feel certain that for each warehouse receipt outstanding there is grain in the warehouse of sufficient quantity and of the same or better grade to support that receipt. This means that each tank of grain must be checked to determine that the grain is in condition, what its grade is, and the quantity in each tank or container. In elevators of a million bushels or more capacity, that becomes quite a job, depending upon the number of containers in each elevator. For instance, one elevator which is under license has 309 separate containers; another, 436; another, 445; and still another, 612. These are merely typical illustrations. In each elevator there may be a number of different kinds of grain, and within each kind of grain there may be a number of different grades. For instance, on an examination of the house above cited which has 309 containers, we found better than 3,800,000 bushels of grain in the elevator, which consisted of wheat, corn, oats, barley, rye, grain sorghums, mixed grain, and sudan. In the wheat there were 12 different grades. There were 1 grade of corn, 3 grades of oats, 3 grades of barley, 3 grades of rye, 8 grades of grain sorghums, 1 of mixed grain, and 1 of sudan, or a total of 32 different grades. In the house above cited which had 436 containers, on a certain examination we found over 8,873,000 bushels of various grains, consisting of wheat, corn, oats, milo, rye, soybeans, and barley. There were 53 different grades of wheat, 13 of corn, 9 of oats, 1 of milo, 16 of rye, 2 of soybeans, and 1 of barley. Very obviously a check merely determining that a certain number of bushels of wheat were in the house would not be worth much, even though the quantity of wheat was sufficient to cover outstanding warehouse receipts. Wheat varies widely in grade and value; so do other grains. Hence, on each inspection it is necessary to determine the amount of grain, kind of grain, and grade of grain in each container, and the total of the various grades must be totaled against the outstanding warehouse receipts to see that they are all satisfied. Moreover, since grain is constantly moving in and out of the elevator between the inspection periods, it is necessary to see that all receipts which have been surrendered were properly satisfied. On the occasion of each inspection, all grain must be sampled to determine its condition and grade. It requires time to draw a proper sample from each container and properly inspect and grade it. At some of the larger elevators it may require a force of half a dozen or more men two or three weeks to make a proper inspection, but it must be remembered that these elevators handle millions of bushels in the course of a year.



Generally speaking, warehousemen who secure licenses remain licensed year after year unless they dispose of a licensed facility. Many of them started under the Warehouse Act in a small way but have expanded from year to year in their operations and have licensed the additional facilities. That, in a measure, demonstrates the usefulness of the service. A good illustration is that of an elevator operated by a growers' cooperative association. In June 1930 it licensed its first elevator with 88,000 bushels capacity. A little over a month later it increased this capacity to 286,000 bushels; on July 3, 1931, it increased its capacity to 500,000 bushels; on December 22, 1931, the capacity was increased to 630,000 bushels; on June 19, 1935, it was increased to 1,250,000 bushels; on June 14, 1939, it was increased to 3,350,000 bushels; on April 23, 1940, the capacity was raised to 5,350,000 bushels. A little over 2 years later, on May 6, 1942, it was increased to 6,250,000 bushels; on June 24, 1942, the capacity was raised to 7,693,000 bushels; and on June 16, 1946, it was again increased to 10,440,000 bushels; and by the building of further additions on April 29, 1947, the total capacity operated by this one organization at one point in a production area was increased to 12,000,000 bushels. This is the largest federally licensed grain storage facility; it is perhaps the second largest grain elevator in the United States, if not in the world. All of these increases were accomplished by building further additions. As they were built, the management promptly applied to have its license amended to include the new space. Last year this organization alone did more than \$50,000,000 worth of business through its licensed facility. It handles grain, when requested, by 73 farmer-owned cooperatives in two States, which themselves operate 111 elevators, most of which are under federal license. Quite evidently if the Federal Warehouse Act did not mean something very dependable to these organizations, they would not have remained under license all these years and have had the license extended to additional facilities as they were built. They have come to rely upon the Warehouse Act and its supervisory service. It forms the basis of their credit. It keeps their operations in line, and it directly results in definite benefits to the growers throughout the southwest wheat-growing area.

#### F. Value of Warehouse Act

The question may be raised as to whether the Warehouse Act is worth the cost of its administration. The amount directly available for the administration of the Warehouse Act during the fiscal year 1947 was slightly over \$600,000. At first blush that seems like a substantial fund to spend to supervise the operations of about 1,300 warehouses, but to talk in terms of the number of warehouses, or even in total storage capacity, is far from giving a complete picture. The total licensed grain storage capacity is approximately 280,000,000 bushels. That means at one time about 280,000,000 bushels of grain could be stored in federally licensed elevators and warehouses. But grain does not merely move to warehouses and remain in dead storage. It is in a liquid state or in a state of flux, as grain is continually moving in and out of the warehouses. It is not anything unusual for country elevators to handle 15 or 20 times their capacity in the course of a harvesting season. Subterminals will handle



several times their licensed capacity; and terminals, considerably more than their licensed capacity. Therefore a safe assumption is that licensed grain facilities in the United States will average handling 5 times their licensed capacity. Instead of licensed facilities handling but 280,000,000 bushels, which represents their licensed capacity, they will handle closer to 1,400,000,000 bushels of grain per year. If it is safe to assume that this grain will have an average value of \$2.00 per bushel in present markets, then that means that through federally licensed grain warehouses approximately \$2,800,000,000 worth of grain is handled each year.

As for cotton, it is safe to assume that approximately \$1,575,000,000 would represent a fair value of the amount of cotton handled through licensed warehouses in a year, and the value of other commodities eligible for storage under the Act will approximate \$125,000,000. This gives a grand total of value of products handled through federally licensed warehouses of about \$4,500,000,000. Now the question is; is \$4,500,000,000 worth of agricultural commodities, all of them basic to our agriculture and to our commerce, worth an expenditure of a little over \$600,000 to see that they are properly stored and accounted for and that all depositors of these products are properly protected at all times? When these values and the character of supervision that must be exercised at all times to maintain the integrity of warehouse receipts are considered, a staff of but 108 persons, including supervisors, examiners, and clerical force, seems most modest indeed.

#### G. New Concepts Needed in Warehousing

During the past 30 years the Federal Warehouse Act has done a great deal of pioneering work. But this work is not at an end. One cannot move about warehouses and study the marketing of our agricultural products without recognizing that there is still much to be done in the storage field with a view to eliminating waste and to improving the marketing machinery. Even under the Warehouse Act as it is now worded, much remains to be done. The concept by some warehousemen of their duties is quite at variance with what a proper warehouseman should do and at variance with not only the Federal Act but State laws. Too many grain warehousemen seem to be engaged in the merchandising of grain rather than in warehousing of grain for the public. At best the storing of the grain is subordinated to the warehouseman's merchandising interests. Even some warehousemen operating under the Federal Warehouse Act take the position that all grain that is sent to their warehouses is for sale and not for storage unless the depositors specifically state that it is to be stored. It is quite evident that such a concept is wholly at variance with the Warehouse Act and even with many of the State laws. Such a concept places the farmer more or less at the mercy of the warehouseman and obliges him to sell his grain when he ships it to the elevator regardless of what the present price might be or what the future prospects appear to be. The Warehouse Act contemplates that any and everyone can store in a federally licensed facility, and that it should not be necessary for a patron to state that the product is sent to the warehouseman



for storage; otherwise it will be sold. A federally licensed warehouseman is supposed, first, to receive grain for storage. The question of buying or selling the grain is to be determined later if no specific instruction to sell has been given before the grain reaches the warehouse. This is a field that needs investigation and considerable of an educational campaign in the interests of protecting the producers of the country. It means that the grain warehousemen who hold that grain when received is subject to sale by the warehouseman must change their concept of the duties of a public warehouseman. In the superficial investigation which the Division has made, it was even found that some warehousemen apply the rule not only to wheat but to other commodities. Others apply the rule to soybeans only; and still others, to other grains. Such a conflict in operating policies places farmers at a distinct disadvantage.

#### H. New Problems

The field of insurance covering agricultural commodities while in storage needs careful study with a view to drafting a form of coverage which will be fair to the warehousemen, the owners of the products, and the insurance underwriters. Proper supervision of warehouses should make for cutting down not only losses which take place due to improper care in handling products but losses caused by fire both in the field of cotton and grain storage. Fire losses have mounted tragically in the last few years, with the result that some underwriters are refusing to insure certain risks, and in practically all instances the rates for insurance have increased tremendously and further increases are threatened. Some grain elevators cannot get insurance because of the experience, and the same is threatening in the cotton producing territory. Undoubtedly measures can be taken to reduce these losses, and unless measures are taken, insurance rates will be prohibitive or insurance cannot be obtained, either of which would be adding to the cost of marketing; and if insurance generally cannot be obtained on many of our stored commodities, that would be a calamity. Therefore, an aggressive investigation in this field should be instituted in conjunction with the operators of the facilities and insurance underwriters with a view to reducing the tremendous losses.

With the outlook for more and more demand for our fiber crops and food products during the immediate future years, study should be made to see that proper storage facilities are built at proper locations and that products are handled in these storage facilities with a minimum of loss. In grain it is quite apparent that considerable economies might be effected if there were greater storage capacity in heavy producing areas. A study should be made to determine where it would be feasible to locate what might be termed subterminal grain storage facilities. Quite a number of facilities are really obsolete both in the country and at terminal points. Improvements in handling throughout our cotton warehouses could well be effected. In the past, cotton storage has rested too much on cheap labor. Mechanical facilities for handling cotton generally were not in use and are not today. With the increase



in cost of labor and the poor quality of labor that is generally available, particularly in the cotton territory, a wider use of mechanical labor-saving devices has been overdue.

I. New Responsibilities on the  
Warehouse Act Administration

In last year's report reference was made at some length to the decision rendered by the United States Circuit Court of Appeals for the Northern District of Illinois, which gave a clear-cut answer as to the exclusive jurisdiction of the Secretary of Agriculture over licensees under the Federal Warehouse Act. It held that the Secretary had exclusive jurisdiction over all licensees with respect to all subjects covered by the Act. Among those subjects were control over rates and charges, prohibition of discrimination among depositors in warehouses with respect to both rates and services rendered, and over the operations of warehousemen generally to the exclusion of State regulatory bodies. The case was taken to the United States Supreme Court on petitions for writs of certiorari. The writs were granted as the Court stated: "Because of the public importance of the questions presented." On May 5, 1947, the Supreme Court handed down a decision sustaining the jurisdiction of the Secretary of Agriculture, 7 Justices concurring and 2 dissenting. After reviewing the various charges which had been made in the Court below and also the history of the Federal Warehouse Act and amendments thereto, the Court made various observations, some of which ran along the following lines:

"It is clear that since warehouses engaged in the storage of grain for interstate or foreign commerce are in the federal domain, Congress may, if it chooses, take unto itself all regulatory authority over them, share the task with the States, or adopt as federal policy the state scheme of regulation. The question in each case is what the purpose of Congress was.

"Congress legislated here in a field which the states have traditionally occupied. So we start with the assumption that the historic police powers of the States were not to be superseded by the Federal Act unless that was the clear and manifest purpose of Congress. Such a purpose may be evidenced in several ways. The scheme of federal regulation may be so pervasive as to make reasonable the inference that Congress left no room for the States to supplement it. Or the Act of Congress may touch a field in which the federal interest is so dominant that the federal system will be assumed to preclude enforcement of state laws on the same subject. Likewise, the object sought to be obtained by the federal law and the character of obligations imposed by it may reveal the same purpose. Or the state policy may produce a result inconsistent with the objective of the federal statute. It is often a perplexing question whether Congress has precluded state action or by the choice of



selective regulatory measures has left the police power of the States undisturbed except as the state and federal regulations collide."

The argument was advanced that the Illinois regulatory scheme should be allowed to supplement the Federal Act, and the Illinois Commerce Commission should not be prevented from acting on any of the matters covered by the complaint, unless what the Commission does runs counter in fact to the federal policy. The Court stated in answer:

"That argument is illustrated in several ways. The Illinois Commission may fix rates; the Secretary of Agriculture cannot. He may, to be sure, suspend or revoke licenses if unreasonable or exorbitant charges are made. If the Commission fixes unreasonable or exorbitant rates, there will be a conflict with the Federal Act and the state rate order must fall. But until it is known what the Commission will do, no conflict with the Federal Act can be shown. If indeed it reduces rates, as may be presumed, no conflict with the Federal Act will likely exist. Another illustration concerns the dual position of the warehousemen. It is pointed out that all the Federal Act requires is disclosure; that the more basic state policy of uprooting the practice of public warehousemen storing and dealing in their own grain is not inconsistent with the federal policy of disclosure. Another illustration relates to the preferential and discriminatory practices in connection with the rebate of storage charges, retention of desirable transit tonnage, and the utilization of preferred storage space. All the Federal Act requires is that warehousemen receive products for storage without making discriminations between persons. What the Illinois Commission promulgates or requires, if the proceedings before it are allowed to go ahead, might indeed strengthen and bolster the federal regulatory scheme and in no way dilute, impair or oppose it. Such reasoning could be applied to each of the nine charges which we have summarized, even including, perhaps, the requirements for a state license and the filing and publishing of rate schedules. See *Union Brokerage Co. v. Jensen*, *supra*.

"At first blush that construction of the Federal Act has great plausibility. It preserves intact the federal system of warehouse regulation, leaves the State free to protect local interests, and strikes down state power only in case what the State does in fact dilutes or diminished the federal program.

"But the special and peculiar history of the Warehouse Act indicates to us that such a construction would thwart the federal policy which Congress adopted when it amended the Act in 1931. Prior to that time, as we have pointed out, the Federal Act by reason of its express terms had been subservient to state laws relating to warehouses and warehousemen. Congress in 1931



found that condition unfavorable and undertook to change it. If Congress had done no more than to eliminate from § 29 the language which resulted in the Act's subservience, there would be a strong case for holding that state regulatory systems were not to be affected unless they collided with the Act. That construction would receive reinforcement from the provision in § 29 that the Secretary 'is authorized to cooperate with State officials charged with the enforcement of State laws' relating to warehouses and warehousemen. Cf. *Union Brokerage Co. v. Jensen*, supra, p. 209. But Congress did not choose that simple expedient. It went further and added to § 29 the mandatory words 'the power, jurisdiction, and authority' of the Secretary conferred under the Act 'shall be exclusive with respect to all persons' licensed under the Act. And the original provisions of § 6 requiring a bond from licensees securing the faithful performance of their obligations as warehousemen under state law were deleted.

"These actions were explained in the Committee Reports.

"The previous subservience of the Act to state law was said to have militated 'against the full value of Federal Warehouse receipts for collateral purposes.' S. Rep. No. 1775, 71st Cong., 3d Sess., p. 2. The amendment to § 6 followed 'naturally' the revision of § 29. The amendment to § 29 was designed to make 'the Federal act independent of State laws' and to 'place the Federal act on its own bottom.' While a warehouseman need not operate under the Act, if he chose to be licensed under it, he would then 'be authorized to operate without regard to State acts and be solely responsible to the Federal act.' Warehousemen, having made their choice to operate under state or federal law, should 'then be permitted to operate without interference on the part of any agency.' Or, as stated by the House Committee, the purpose of the amendment to § 29 was to make the Act 'independent of any State legislation on the subject.' H. R. Rep. No. 2314, 70th Cong., 2d Sess., p. 4.

"That is strong language. It makes unambiguous what was meant by the deletion from § 6 of any requirement that federal licensees comply with state laws regulating warehousemen. It makes clear the significance to be attached to the special wording of § 29. The amendments to § 6 and § 29, read in light of the Committee Reports, say to us in plain terms that a licensee under the federal Act can do business 'without regard to State acts'; that the matters regulated by the Federal Act cannot be regulated by the States; that on those matters a federal licensee (so far as his interstate or foreign commerce activities are concerned) is subject to regulation by one agency and by one agency alone. That is to say, Congress did more than make the Federal Act paramount over state law in the event of conflict. It remedied the difficulties which had been encountered



in the Act's administration by terminating the dual system of regulation. Cf. *First Iowa Hydro-Electric Coop. v. Federal Power Commission*, 328 U. S. 152. As stated by the Supreme Court of South Dakota, warehousemen electing to come under the Federal Act need serve but one master, and that one the federal agency. In *re Farmers Cooperative Ass'n*, 69 S. D. p. 202. The cooperation which the Secretary was authorized to undertake with state officials was cooperation in harmonizing the exclusively federal and the exclusively state systems of regulation.

"In this view of the Act Congress formulated a policy on numerous phases of the warehouse business. The policy on rates was not the fixing of them but control over them through issuance, suspension, or revocation of licenses. Dual or conflicting positions of warehousemen were regulated by disclosure, by general prohibitions against discrimination between customers, by control over the license. Unsafe and inadequate warehouses were protected by the power of the Secretary to determine whether the warehouses of applicants or licensees were suitable. Mixing of grain was authorized under specified conditions and prohibited under others. On each of the nine matters charged in the complaint and listed above Congress legislated. And as we read the Act, Congress in effect said that the policy which it adopted in each of the nine was exclusive of all others; and that if a licensed warehouseman complied with each requirement, he did all that he need do. He could not be required by a State to do more or additional things or conform to added regulations, even though they in no way conflicted with what was demanded of him under the Federal Act. We recently noted that Congress can act so unequivocally as to make clear that it intends no regulation except its own. *Bethlehem Steel Corp. v. New York State Labor Relations Board*, 330 U. S. ---. In these fields Congress has done just that by the 1931 amendments.

"Thus, by eliminating dual regulation and substituting regulation by one agency Congress sought to achieve 'fair and uniform business practices' which, as noted in *Federal Compress Co. v. McLean*, supra, p. 23, was the purpose of the amended Act.

"The test, therefore, is whether the matter on which the State asserts the right to act is in any way regulated by the federal Act. If it is, the federal scheme prevails though it is a more modest, less pervasive regulatory plan than that of the State. By that test each of the nine matters we have listed is beyond the reach of the Illinois Commission since on each one Congress has declared its policy in the Warehouse Act. The provisions of Illinois law on those subjects must therefore give way by virtue of the Supremacy Clause. U. S. Const., Art. VI, Cl. 2."

From the above it is quite apparent that the question of exclusive jurisdiction on the part of the Secretary as conferred by the Warehouse Act is settled and increased responsibilities are thrown upon the



Department in the administration of the Warehouse Act. The Department has taken the position heretofore that it is not a rate-making body, but it would appear from the decision of the Supreme Court that that becomes a part of its responsibility. In other words, it must exercise control over rates, at least to the extent of seeing that rates are not unreasonable, exorbitant, or discriminatory, and in so doing it practically must prescribe the rates of warehousemen. It was argued that the Illinois Commerce Commission might fix the rates and that the Secretary could not, but he could suspend or revoke the license if unreasonable or exorbitant rates were made under those rates fixed by the Illinois Commerce Commission. The Court, however, did not go along with that argument but held that "a licensee under the Federal Act can do business 'without regard to State Acts'; that the matters regulated by the Federal Act cannot be regulated by the States; that on those matters a federal licensee (so far as his interstate or foreign commerce activities are concerned) is subject to regulation by one agency and by one agency alone. That is to say, Congress did more than make the Federal Act paramount over state law in the event of conflict. It remedied the difficulties which had been encountered in the Act's administration by terminating the dual system of regulation." Assuming that the Department may not function as a rate-making authority, it cannot very well be determined that a rate is reasonable, is not exorbitant, or is not discriminatory without having basic data at hand on which to rest such a finding. Hence, the decision throws squarely upon the Department the responsibility of determining the reasonableness of rates, and indirectly of fixing the rates.

This decision of the Supreme Court is far-reaching and covers a number of subjects besides that of rate-making. It should settle the question of dual regulation of federally licensed warehouses, and open the field for a greater use of the Warehouse Act.

Whatever philosophy one may entertain as to the justification of Government supervision of warehousemen and their operations, one cannot escape the fact that in their journey from the farm to the ultimate consumer agricultural products valued at many billions of dollars annually seek a temporary resting place in warehouses. It is not unusual to find a warehouseman responsible for products valued at 100 times the warehouseman's net worth. In the aggregate, the net worth of warehousemen is a small fraction of the value of the products they store and handle.

It is quite apparent that the public interest is involved in this situation. The individual depositor with 10 bales of cotton or 1,000 bushels of wheat in storage is directly interested in the warehouseman's performance. When the depositor makes commitments to others, based on the security of these products in storage, his reliance on the warehouseman is shared by them. In the financial world, products stored in warehouses represent security on which credit is based. The importance of sound warehousing as the foundation for credit is self-evident. Whereas only individual persons are concerned in any given warehouse or credit situation, the Nation as a whole depends upon warehousemen b



because the products stored in warehouses are in a sense national assets representing the promise of food and fiber for future use. When assets of such vital national importance not only to our agriculture and commerce but to the very existence of our entire population are entrusted to the care of a handful of warehousemen, ordinary prudence would seem to require such a degree of warehouse supervision by the Government as will assure ample marketing credit to our producers and proper care of the Nation's supply of food and fiber. It is hard to conceive why the depositories of agricultural products should not be subject to as close supervision as the depositories of our money. If it is proper for Congress to provide for a system of bank supervision, it seems equally proper to provide for warehouse supervision--perhaps it is even more essential to the Nation's very existence.



## TRANSPORTATION FACILITIES DIVISION

### Introduction

In this second postwar year, transportation difficulties have continued almost unabated, frequently impeding and delaying the free flow of essential farm products to markets and of supplies to the farms.

This Division has been engaged full time in attending to the increased needs of agriculture, cooperating with other transportation agencies, trade and shipping interests, railroads, and others concerned, to develop improved facilities and services; to obtain more efficient and economical utilization of transportation by rail, water, truck, and air; and to promote and expedite new construction and rehabilitation programs.

Emergency conditions under which the railroads have been operating since before the war have become aggravated, due in large part to depleted and obsolescent plant and equipment, with the total number of freight cars now at a new low since the war, following two and one-half years in which replacements have lagged behind retirements. Serviceable freight cars of all types had dwindled from a total of 1,695,545 on May 1, 1943, to 1,663,712 as of May 1, 1947.

Though some coastwise and intercoastal steamship lines are now back in operation, the services have not been restored to prewar normal standards. Increased operating costs have been used as the foundation for a petition by the steamship lines to the Interstate Commerce Commission asking that competitive railroad rates be substantially increased so that their (the water lines) charges may be further advanced. However, the intercoastal operators are using ships owned by the Maritime Commission and, as of this writing, their status after June 30, when the operating authority of the Maritime Commission will end unless extended by Congress, is not known.

Reconstruction and expansion in the trucking and truck manufacturing industries have improved truck facilities and services somewhat, but there is continuing need for further development and improvement wherever trucks can be utilized efficiently and economically.

Current forecasts point to a record 6,433,000 carloads of the major products of agriculture to move in 1947, which compares with an estimated 6,111,000 carloads that moved in 1946. Present indications are that the high levels of production and hence the requirements for transportation of farm commodities will continue through 1948.

The existing inadequacies of transportation in this country emphasize the necessity for continuing research with respect to marketing and transportation facilities and services. It is estimated that the total transportation charges to American agriculture were over two billion dollars in 1945, or about 10 percent of the total value of farm marketings.



# I. CONSERVATION AND THE DEVELOPMENT OF PROGRAMS TO MEET EMERGENCY CONDITIONS

## A. Refrigerator Cars

The transportation of perishable commodities, particularly fresh fruits and vegetables, has continued to present pressing problems during the fiscal year, with recurring shortages of short duration, that it was possible to relieve through the operation of the car-pool. It has been necessary, however, to continue all of the wartime restrictions upon the use of refrigerator cars, with penalty demurrage for failure to unload cars promptly. Production of all kinds of fruits and vegetables has continued at high levels, while the new cars placed in service during the past year have only served to replace old cars retired. Approximately 10,000 new cars are on order, but against them will also be heavy retirements of worn-out equipment.

It is our opinion that serious shortages have been averted in the past year only by judicious handling of the pool of available cars, guided by our monthly forecasts of fresh fruit and vegetable and other perishable food loading requirements for individual commodities by States, and through continuation of the service orders of the Interstate Commerce Commission controlling the handling and use of refrigerator car equipment. Continued careful attention must be given to refrigerator car requirements until new equipment is available in greater numbers than are now in sight or until production levels decline.

The Chief of the Division continues to act as the Department's representative to the Refrigerator Car Advisory Committee of the Office of Defense Transportation and the Interstate Commerce Commission.

## B. Grain Transportation

The movement of the unprecedented volume of grain produced in the 1946-47 crop year presented critical problems. Wheat production was 1,155 million bushels, of which 874 million bushels were winter wheat and the remainder the various varieties of spring wheat. The total exceeded 1946 production by approximately 50 million bushels and the ten-year average production--1935-1944--by 312 million bushels.

At no time from the beginning of the harvest until December 1946 were there enough cars available in the grain-producing States to move the wheat and other small grains that were needed by the flour mills and other domestic users and for the export program. As a consequence, terminal stocks were at dangerously low levels in October and November. Priorities had to be employed for the movement of export wheat to maintain the necessary flow of grain to the ports.

A special analysis of the grain storage and transportation situation was made by the Transportation Facilities Division and transmitted early in October to top officials of the Office of Defense Transportation, the Interstate Commerce Commission, and the railroads pointing to the desperate



need to increase loadings of grain, which had been running approximately 15 percent below those of the previous year. In spite of this warning, conditions were not improved until the situation became so serious in early December that something had to be done. Orders were therefore issued by the Interstate Commerce Commission directing an increased supply of empty boxcars from eastern roads to western grain-loading lines. It was not until late December that weekly grain and grain products loadings equaled those of the previous year. In the meantime the tremendous corn crop of 1946, with a production of 3,288 million bushels, was pressing for movement. Much of this corn had matured late and was of high moisture content, particularly that grown in northwest Iowa, Montana, and South Dakota. Great pressure was exercised for boxcars to move this corn.

Loadings of grain and grain products continued at high levels during the winter and early spring months of 1947, but the tremendous need for cars for the loading of grain and other commodities is evidenced by the daily car shortage reports issued by the Association of American Railroads during that period, running to approximately 37,000 cars daily. As far as grain and grain products are concerned, the spring shortages were directly attributable to the failure of the transportation agencies to have moved enough grain in the fall months of 1946.

Movement from the spring wheat area was particularly difficult because the lines serving the Northwest had great difficulty in obtaining enough cars from their eastern connections to satisfy their requirements. During the movement of the spring wheat crop special arrangements were made through the Field Service Branch to obtain weekly reports from the wheat growing counties in Minnesota, North Dakota, South Dakota, and Montana indicating the progress of the harvest and the amount of wheat and other grains on the ground, with details as to the railroad stations most critically in need of cars. These reports were summarized by us, and the summaries transmitted through the Association of American Railroads to the chief operating officers of the railroads concerned and to officials of the Interstate Commerce Commission and the Office of Defense Transportation. Copies were also furnished to the grain trade and others interested in the transportation of the crop. They were continued as long as wheat remained on the ground and served to spot the points of greatest need, assisting in the distribution of available equipment for the relief of those areas.

With the approach of the 1947 wheat crop, estimates of the Crop Reporting Board indicating that all previous production records would be surpassed, preliminary studies were made of the carry-over and indicated production of all small grains in the wheat-producing areas, contrasted with estimates of available farm storage and country elevator capacity to determine the surplus that would have to be moved to prevent ultimate spoilage from being stored on the ground.

Copies of these preliminary studies were presented to officials of the Office of Defense Transportation, the Interstate Commerce Commission, and the Association of American Railroads to indicate the pressing need for an adequate car supply in the wheat-growing areas, and the necessity for



maintaining that car supply over an extended period to get the necessary amounts of grain moved. The studies also indicated the areas in which storage facilities were most adequate.

Arrangements were again made with the Field Service Branch to obtain data on production, progress of the harvest, the amount of wheat on the ground, and car supply from wheat-growing counties, starting with the harvest in Texas and proceeding north through Oklahoma, Kansas, Colorado, and Nebraska. At the end of the fiscal year two weekly summaries had been released, both covering counties in Oklahoma and Texas. With the forewarnings of impending shortages of storage space, the southwest railroads had been able to accumulate approximately 17,000 boxcars on lines in the wheat-growing area in anticipation of heavy movement as soon as harvest began. With that accumulation, the first weeks of the harvest passed without serious car shortage, although reports from the counties indicated serious difficulties impending after July 1, when cutting of grain in Kansas would become general.

#### C. Export Grain Program

As mentioned in our previous account of grain transportation difficulties following the harvest of the 1946 wheat crop, the shortage of cars for grain loading required the issuance of priorities for the movement of grain to ports for export abroad. However, during the period of the maritime and longshoremen's strikes in September and October, the orders were vacated, when loading to port elevators dropped to a low level. After the strikes were over, the continuing shortage of equipment made it impossible to get enough cars for export loading to meet current shipping requirements, let alone recover any of the ground lost on the program during the strikes.

Repeated efforts were made with the Office of Defense Transportation and the Interstate Commerce Commission to obtain restoration of the priorities for grain for export, which the Office of Defense Transportation resisted because of the pressure for movement of other commodities and for additional priorities on other commodities, particularly for building materials for the housing program. Consequently, it was not until December 9 that the Interstate Commerce Commission issued its Order No. 647, establishing priority for grain moving from the Pacific Northwest to north Pacific Coast ports for export, and No. 648, priority for the movement of bulk grain from designated terminals in the Southwest to ports for export. Thereupon export loadings improved to such an extent that it was possible to export grain and grain products during the fiscal year to the equivalent of 550 million bushels of wheat, much more than the 400 million bushels originally committed to the program. It was possible to rescind Order No. 647, effective May 4, and No. 648, effective May 25, without injury to the program schedule.

During the period of negotiations on priorities with the Office of Defense Transportation and the Interstate Commerce Commission, the Chief of the Division acted as personal aide to the Secretary in connection with transportation matters related to the export program. Then and thereafter he



also acted as liaison with the Coordinator of Emergency Export Programs appointed by the President.

D. Adequacy of Railroad Equipment for the Transportation and Handling of Grain

Our staff has been enlarged by the addition of a mechanical engineer specialized in railroad equipment and facilities. His duties are to investigate the possibilities for improvement and adaptation of railroad freight cars and other equipment, operating practices, and handling methods. This work seems to be particularly timely as it relates to the transportation of grain and grain products. Present methods are frequently time-consuming and costly from the standpoint of utilization of labor and facilities. Delays in loading and unloading have undoubtedly contributed considerably to the car shortage, to the deterioration of quality of the grain, to waste of food and feed, and to lower market prices to the producer.

One objective of this project is to study the practicability of self-clearing covered hopper cars with removable covers for the transportation of dry bulk products such as grain. Further study is contemplated as to possible improvements in grain loading, unloading, and weighing facilities and practices.

A field survey was made through important grain territory during which shops and elevator facilities were inspected, and railroad equipment manufacturers and grain merchandisers contacted in order to observe present facilities, operating practices and methods, as a basis for the preliminary work now under way.

E. Facilities for the Handling of Grain by Motortruck

Because of reports to us of greatly increased trucking of grain, especially long distance hauling, due to the shortage of railroad transportation, a project was initiated to investigate the adequacy of truck loading, unloading, and weighing facilities. This project was intended to be comprehensive enough to cover the entire field of grain handling, including problems of storage and transportation. An unusual increase in truck handling of grain can seriously overtax facilities at many points where they are poorly adapted or inadequate to handle the phenomenal expansion of truck traffic. Practically no information is available at present as to the volume and distribution of trucked grain.

Last April a member of our staff assigned to this project made a field survey through important grain territory in company with the specialist on rail equipment. Information was obtained as to the present extent of truck use for this type of hauling, the volume and distribution, requirements, capacity, adequacy, and potentialities in order that we may assist farmers, elevators, mills, trucking agencies, and others in the fullest practical development of the possibilities of truck use for the transportation of grain.

In the course of this trip, visits were made to elevators, mills, and



truck and equipment manufacturers to study and appraise present handling practices, types of equipment, weighing techniques, etc., and to determine needs and possibilities of improvement.

A preliminary report has been prepared on the results of this investigation, presenting information and statistical data which may provide the basis for conclusions and recommendations as to truck use, equipment needs, auxiliary facilities, operating practices and possibilities for improving the transportation of grain by motortruck.

#### F. Grain Movement on the Great Lakes

In the past years the Division has been concerned with the transportation of grain from ports on Lake Superior and Lake Michigan to Buffalo, New York, and other east lake ports. During those years the fleet of vessels operating on the Lakes was inadequate for the transportation of such commodities as iron ore, sulphur, and limestone, all of which were important in the production of steel for our war potential and for the movement of grain necessary to supply the flour and feed needs of the eastern United States. The shortage of rail transportation prevailing during the same period contributed to the difficulty, and great effort was devoted in past years to obtaining sufficient water transportation for the grain movement. During the season of navigation that began in April 1946 and ended in December, the situation had changed considerably. With less ore moving, more tonnage was available for the transportation of grain. At the same time, the demand for grain movement was smaller, and it was not until the closing weeks of the season that difficulties were encountered in obtaining ships for grain movement. At that time it became highly important to move as much grain as possible from Chicago to Buffalo and Albany to assist in maintaining the export program which had fallen behind because of the shortage of boxcars. Ships were then tying up for the winter, and because of the additional hazards to navigation commercial cargo and hull insurance was not available after December 1. We made arrangements with the Maritime Commission to obtain reinsurance after that date so that additional ships might be loaded, and a number of late cargoes were moved after December 1.

Through the season of navigation of 1946, the progress of the grain movement on the Lakes was observed, and monthly reports of movement issued and released to the Office of Defense Transportation, the Interstate Commerce Commission, and others concerned with Lake transport. At the close of the season a final yearly summary was prepared. That summary indicated a substantial drop in the grain movement during 1946, when a total of only 157,700,000 bushels were transported compared to 345,600,000 bushels in 1945. The major part of that reduction was caused by the decline in the movement of wheat and oats from Ft. William, Ontario. Total imports of all grains from Ft. William to United States Lake ports dropped from approximately 155 million bushels in 1945 to 22 million bushels in 1946, while the decline in the movement of grain from western Lake ports in the United States to United States east Lake ports was from 190,700,000 bushels in 1945 to 135,400,000 bushels in 1946.



### G. Special Studies of Ice Requirements

During the fall of 1946, there was an ice shortage at certain ice stations on the Union Pacific Railway which served crops moving out of the Snake River Valley. Substantially increased production of fruits and seasonal vegetables was an important cause of the shortage. A special study of the requirements was made for use of the ice industry so that they might be apprised of the amounts of ice needed at these stations. To satisfy the requirements, it was necessary to move large quantities of ice to the Middle West, including points as far east as Chicago.

Another shortage of ice occurred at stations on the Northern Pacific Railway in the Yakima Valley in Washington. A forecast of perishable fruit and vegetable shipments from that area was prepared, and a study made of ice requirements, which was also made available to the industry. The shortage was met by the importation of natural ice from the Dakotas and Minnesota, supplemented by a smaller amount of artificial ice from other Midwestern points.

## II. FORECASTS

### A. Forecasts of Movement of Perishable Commodities

In view of the extremely critical shortages of refrigerator cars and the increased production of fresh fruits and vegetables, special attention has been given to advance forecasts of movement of perishable products so that the railroads, shippers, and ice manufacturers would be forewarned of car requirements in the various parts of the country and the amounts of ice necessary for the protection of food in transit. Each month there is issued a forecast of requirements for cars for the movement of perishable and semi-perishable freight, by commodities, for each of the following three months. It is accompanied by a statement analyzing requirements for cars for the shipment of fresh fruits and vegetables for the following month, by commodity, for each of the major producing areas, broken down by States of origin. That is supplemented quarterly by an advance three-month forecast of the movement by commodity and district. Basic data upon which these forecasts are made are obtained from the various commodity branches, summarized, and analyzed in the Division. Distribution of these forecasts is made to the Office of Defense Transportation, the Interstate Commerce Commission, the Association of American Railroads, interested shippers, and various branches of the Production and Marketing Administration. Information coming to us from numerous sources indicates that these forecasts are depended upon by railroads, private car lines, and the ice industry to guide them in the distribution of cars to meet loading requirements, and in the manufacture and storage of ice for refrigeration purposes. The forecasts therefore contribute materially to the proper distribution of refrigerator cars, so important when their number is low in relation to the quantity of perishable freight that requires transportation.



B. Boxcar Requirements for the Movement  
of Grain and Grain Products

Successive record crops of grain have placed an increasing burden upon rail transportation facilities, a situation which has assumed emergency proportions during periods of peak carloadings in recent years. The number of serviceable boxcars has been reduced from 729,322, May 1, 1943, to 699,053 as of May 1, 1947, indicating the need for the continuance of projecting advance estimates of grain loading requirements.

During the past year, this Division has maintained its regular forecasting of carloading requirements for grain and grain products each month for three months in advance for purposes of determining the extent of need in each of the Association of American Railroads car service districts for cars to move the crop. It is intended to continue these traffic forecasts until the urgency of the present period of transportation difficulties has been relieved.

In conjunction with these estimates we have maintained a weekly compilation of carloading statistics by major commodity groups from reports of the Association of American Railroads. This has been released in summary form to representatives of transportation agencies and others concerned with transportation shortages during the emergency, showing the current week and cumulative from the beginning of the grain harvest year compared to the corresponding week or period of the previous year.

Estimates of grain loading requirements are developed and analyzed in relation to traffic trends and transportation conditions by Association of American Railroads car service districts. Statistical findings are finally adjusted in line with all available information as to current conditions, such as demand, price, grain supply, etc. These monthly traffic forecasts of grain loadings are distributed to officials of transportation agencies, the Association of American Railroads, grain trade people, and others concerned with problems affecting the movement of grain and grain products. This is one of the methods used to bring the facts to those with responsibility for furnishing transportation for grain and to focus attention on the main problems.

C. Stock Car Requirements for the Movement of Livestock

The monthly traffic forecast of estimated carloading requirements for grain and grain products also carries estimates of livestock carloading requirements prepared in cooperation with the Division of Marketing and Transportation Research, Bureau of Agricultural Economics. Stock car supply is considered adequate for all prospective requirements, though attention may be needed later this year during the peak livestock loading season should this class of cars be diverted extensively to loadings other than livestock or become badly distributed in relation to regional needs.

Livestock carloadings, as reported by the Association of American Railroads totaling 924,016 for the year 1946 (52 weeks), are expected to



reach around 957,000 cars in 1947, with quite a heavy range movement of cattle in prospect. Circulation of livestock traffic forecasts, which are based upon current observation and analysis, affords a useful means of contributing to the safeguarding of essential movements and assuring a distribution of stock cars adequate to handle peak seasonal loading requirements in all livestock production areas according to their needs.

Livestock carloading data maintained in this office are also useful whenever we are called upon for advice as to prospective transportation conditions or to review statements relative to livestock marketing and movement. The forecast reports of estimated carloading requirements go to officials of the railroads, transportation agencies, and others concerned.

### III. UTILIZATION AND CONSTRUCTION OF RAILROAD EQUIPMENT

#### A. Investigation of Causes of Car Shortages

While car shortages of greater or less degree were experienced in all the major categories of railroad equipment during the year, those dealing with refrigerator cars and open top cars for the movement of sugar beets and fertilizer materials are discussed in other sections of this report, and this section will be concerned only with shortages of boxcars for the transportation of grain, flour, feeds, cotton, wool, canned goods, beverages, and the many other commodities that do not require special types of equipment.

Boxcar shortages increased in severity during this year and were more critical than in any period in the past 25 years. During the calendar year 1945, a peak in the daily average car shortages, as reported by the Association of American Railroads, was reached with a shortage of 16,601 cars in the week ending March 24. A secondary peak, with a daily average shortage (total box) of 10,431 cars, developed during the week ending November 3. During the first half of the calendar year 1946, the greatest shortage was 8,984 cars daily in late January. However, beginning in late July, daily average shortages ranging upward from 12,000 cars appeared, increasing to 23,776 cars in the week ended November 9, 1946. The intensity of the shortages subsided to less than 13,000 cars at the turn of the year, rising again in March to more than 25,000 daily. In a period of eight weeks through February and March daily average shortages were above 20,000 cars.

Fundamentally, the lack of an adequate supply of serviceable equipment is at the root of the car shortages. Total railroad ownership of all types of freight cars, including cars held for repairs, declined from 2,357,324 units in 1925 to 1,735,714 in May 1947. Production of new cars during the past several years has not been sufficient to replace cars that were worn out and retired. In the last summer of 1946, Colonel J. Monroe Johnson, Director of the Office of Defense Transportation, proposed that the Government place orders for 50,000 new cars to be leased to the railroads, the thought being that such a number, added to the approximately 70,000 cars already on order, would speed deliveries by assuring car-building companies of adequate backlogs for full production over an



extended period. This Department endorsed the plan and pressed it vigorously, but the Reconstruction Finance Corporation declined to lend the necessary funds. Later the number of car orders by individual railroads increased, and a total of 101,980 were on order in May 1947.

Contributing greatly to these shortages were high levels of industrial activity, demand for housing materials, and heavy demand for all types of consumer goods, as well as agricultural products.

Wartime orders of the Office of Defense Transportation and Interstate Commerce Commission forced upon shippers many onerous restrictions and requirements, such as capacity loading of cars, restricted reconsignment privileges, and penalty demurrage, which have, of necessity, been continued. Quite obviously, had they been removed, the car shortages would have been far more serious, and the whole economy would have been endangered.

Nevertheless, no penalties were provided to encourage or enforce better utilization of cars by the railroads, and shippers became increasingly critical of what they felt were inadequacies in carrier service and operations that, if improved, could relieve the car shortages substantially.

With the car shortages of the last winter and early spring this dissatisfaction, reflected by the concern of various committees of the Congress, contributed to the institution of a number of investigations by the Interstate Commerce Commission to determine whether the railroads were responsible for avoidable detention to cars.

This Division took part in these investigations, produced evidence, and made recommendations based upon special studies of carrier performance. An outline of the issues in the investigation cases is set out below.

1. ICC Docket 29669, Car Service Rules - This proceeding dealt with the administration of the car service rules of the Association of American Railroads, some of which are under suspension. The purpose of the hearings was to develop evidence upon which the Commission might determine whether it should assume the administration of the car service rules, either temporarily or permanently, to achieve better utilization of equipment.

Evidence was presented by the Commission and by shippers indicating that there were substantial delays attributable to the railroads that could be avoided. Carriers minimized the extent and importance of these delays, opposing the assumption of administration of the rules by the Interstate Commerce Commission. We took the position on brief and oral argument that it was not necessary for the Commission to take over the car service rules permanently, but in times of emergency the Commission should assume their administration to whatever extent was necessary to provide relief.



2. ICC Dockets 29670, 29751, and 29587, Per Diem Charges - In our estimation one of the reasons for the lack of proper distribution of boxcars that so seriously handicapped the movement of grain from western producing States this past year has been the inadequacy of the per diem charge, now \$1.25 per car per day, that is paid by one railroad for the use of the cars of another.

The preponderance of loaded boxcar traffic between the west and the east is eastbound, and to maintain normal balance of the car supply, between 900 and 1,500 empty cars a day, in addition to westbound loads, have to be turned over to western roads by eastern lines. But in times of car shortages a car is worth much more to a railroad in terms of the revenue it may earn than the \$1.25 per diem, which covers only the cost of ownership and maintenance, and, in our opinion, adequate incentive is lacking for the prompt return of cars to owning lines.

At the request of the Office of Defense Transportation, the Interstate Commerce Commission instituted an investigation under its Docket No. 29670, Increased Per Diem Charge on Freight Cars, to determine whether, to improve the handling and movement of cars, the per diem charge should be increased to \$2.00 or to some other figure that would provide the needed incentive to prompt handling.

We conducted quite extensive statistical analyses of performance by carriers and prepared and presented evidence relating to past, present, and anticipated car shortages, analyses of railroad revenues and expenses, and other data, taking the position that the charge should be increased to \$2.00 per day in recognition of the present service value of freight cars and to stimulate better performance by the railroads in their car handling, so increasing the supply of cars available for loading.

Following the hearing a proposed report was issued by the Examiners, recognizing present delays but recommending that the per diem charge be increased to \$5.00 per car per day only after a car was held for loading or unloading, or otherwise was unduly detained in a terminal or switching district 5 days or more. We consider this proposal to be inadequate, and at the oral argument assigned for July 9 will press for the \$2.00 per diem charge.

Dockets No. 29751 and 29587 are upon complaints filed by railroads, the first alleging that the per diem charge is too high, the second that it is too low. The cases are being heard together. We have intervened and will present evidence similar to that submitted in Docket No. 29671 and for the same purpose.

#### IV. MISCELLANEOUS ACTIVITIES

##### A. Ex Parte No. 162, Increased Freight Rates and Charges, 1946

Our last annual report told of the interim increase of 3 percent in railroad freight rates on agricultural products and 6 percent on other



commodities authorized by the Interstate Commerce Commission pending further hearings on the merits of the carriers' request for an increase of 25 percent. Those hearings were held in September 1946, at which time we presented additional evidence in collaboration with the Transportation Rates and Services Division of this Branch. The Department filed a brief and was represented on oral argument by the Office of the Solicitor.

In its final decision the Interstate Commerce Commission permitted increases of 20 percent on commodities generally, but an increase of only 15 percent upon basic products of agriculture. A somewhat greater increase was also authorized in official territory than in other parts of the country.

#### B. Bulwinkle Bill

Our last annual report referred to H.R. 2536, a bill to amend the Interstate Commerce Act with respect to agreements between carriers, permitting relief from the Sherman Anti-Trust Law upon approval by the Interstate Commerce Commission. The bill, passed by the House, was before the Senate at the time of our report. The amended version finally reported to the Senate contained most of the provisions we suggested at the Senate hearings. However, not having been acted upon at the time of adjournment, the bill died.

Early in the 80th Congress, the bill as amended was re-introduced as S. 110 by Senator Reed, Kansas. At the subsequent hearing we again brought attention to exemptions from the anti-trust laws permitted in connection with payment of loss and damage claims, train schedules, and like matters not under the jurisdiction of the Interstate Commerce Commission which the new bill tried to correct, but failed to do. As finally reported, those provisions were clarified. The bill passed the Senate, and at this time is before the House of Representatives.

#### C. Crop Production Goals

As in previous years, a special analysis of transportation prospects for 1947 was made in the early part of the fiscal year for use in determining the crop goals for 1947 that were announced in the fall of 1946. The report called attention to prospective shortages of boxcars and refrigerator cars and advised against substantial increases in the acreage of perishable fresh fruits and vegetables which would result in greater production than could be moved to market, thus bringing about losses of food, time, labor, and investment.

#### D. Truck Transportation Facilities

This office has continued to maintain basic statistical information relative to the production of trucks and trailers and trends in highway traffic on rural roads.

The Public Roads Administration reports truck and truck-tractor



registrations for the calendar year ended 1946 of 5,725,692 units as compared with 4,834,742 at the end of 1945. This represents a net gain of 890,950 units, adding substantially to the truck transportation capacity which will be available for carrying property over the Nation's highways.

Highway traffic statistics of the Public Roads Administration show a total vehicle mileage traveled on all rural roads of 170,628 million for 1946 as compared to 119,183 million miles in 1945 and 169,805 million miles in 1941. The 1946 figure represents a substantial increase of more than 43 percent from that of 1945.

It was estimated in our studies that the potential truck capacity for the movement of agricultural commodities, over-the-road, based on truck loadings, declined from a high point of about 446 million tons in 1941 to a wartime low of 421 million tons for the year 1943. Agricultural over-the-road tonnages in 1947 may well exceed 500 million. In this connection it should be observed that railroad car shortages probably contribute materially to over-the-road tonnage by motor vehicles.

#### E. Transportation Census

Legislation is presently pending in the Congress that would extend the censuses of manufactures and distribution to include data on transportation. This additional authorization is provided in S. 554, 80th Congress, 1st Session, which has passed the Senate, and in the companion bill, H.R. 1821, which has been reported to the House of Representatives with amendments. It is proposed that, in addition to questions on the Census of Manufactures, schedules will inquire as to the extent to which each establishment makes use of each of the principal means of transportation, and the extent to which each such establishment furnishes its own transportation facilities. There may also be a census taken of the non-regulated classes of carriers.

In collaboration with other Federal agencies, this Division, representing the Department, took an active part in developing a plan for broader and more adequate statistical coverage of transportation, particularly with respect to motor transport, which has been characterized as being one of the weakest spots in the whole Federal statistical program, and the Chief of this Division serves as a member of inter-agency committees, including the Subcommittee on Transportation of the Federal Committee on Economic Statistics, investigating problems of both motor and air transport statistics.

Special recognition was given to a report of the Panel on Motor Transport Statistics (on which we also serve), which was unanimously adopted by the Subcommittee on February 19, 1947. At Senator McCarran's request this report was placed in the Congressional Record in connection with the committee hearings on S. 6, 80th Congress, 1st Session, which was introduced along with S. 554. (See Congressional Record, Vol. 93, No. 44, March 7, 1947, p. 1846.)



Findings and recommendations in this report were aimed at objectives similar to those contained in the enabling legislation referred to above. This report dealt with problems and methods but did not attempt to set up detailed inquiries to be incorporated on census schedules. However, the panel has done some work looking toward the formulation of specific transportation inquiries that the census schedules should contain. These include tentative truck transportation questionnaires, intended for use by the Census or any alternative system of surveys and reporting.

Work has been progressing on problems and procedures involved in developing adequate air carrier statistics, though definite agreement on recommendations has not yet been reached by the inter-agency committee.

#### F. Transfer of Functions of Office of Transportation

During the war years an Office of Transportation was constituted as a part of the staff of the Administrator of the Production and Marketing Administration. The functions of that Office were to coordinate the transportation activities of this Administration and serve as liaison with other agencies in transportation matters. That work closely paralleled the duties assigned to this Division, and, inasmuch as the Transportation Officer was without a staff, we worked very closely with him, the Chief of this Division acting as Transportation Officer in his absence from the city.

In April 1947, the Transportation Officer, Edgar B. Black, left Government service, and the Office was abolished, all of its functions being transferred to this Branch. Since that time we have carried on the work formerly done by the Transportation Officer, handling it with no increase in staff or funds expended.

#### G. Assistance to Commodity Branches

In addition to the activities previously mentioned connected with the movement of agricultural commodities in refrigerator cars and boxcars, the Division has assisted various commodity branches of the Production and Marketing Administration in the solution of transportation problems with which they were concerned. Representative of those services was assistance given the Field Service Branch in obtaining gondola cars for the transportation of agricultural limestone for fertilizer from Tennessee and Virginia loading points to destinations in other Southern States, and the help given the Sugar Branch in marshalling the gondola and hopper cars needed for the transportation of sugar beets from growing areas to mills in Western States.

As liaison between the Department of Agriculture and other Government agencies and railroads, we have also been called upon by the latter to assist in the solution of problems created by the programs of the commodity branches, with which we worked to straighten out the difficulties.



H. Transportation Advisory Committee,  
Research and Marketing Act of 1946

A considerable amount of preliminary work has been done in anticipation of the expansion of marketing and transportation research programs authorized under the Research and Marketing Act of 1946. In conformance with the broad purposes of this Act, authorized in Title II of Public Law 733, 79th Congress, 2nd Session, research projects have already been planned in preliminary form on the basis of recommendations of the Transportation Advisory Committee of 11 members, including transportation economists and representatives of farm organizations, food processors, and distributors.

The Chief of this Division serves as secretary of the Department Subcommittee on Transportation, which functions in an advisory capacity to the Transportation Advisory Committee.

The first meeting of the Transportation Advisory Committee was held on April 21 and 22, following which a Report and Recommendations were adopted by the Committee. The mechanical work in connection with the preparation of the report was done in this Division for presentation to the National Advisory Committee and for distribution to other Advisory Committees in order to work out coordination of various programs under the Act. In addition, there were prepared by this office a summary of current transportation projects and a selected list of references relating to the transportation of agricultural products for the convenience of the Transportation Advisory Committee.

The Report and Recommendations of the Transportation Advisory Committee proposed that the following transportation research be undertaken without delay, to:

1. Obtain improved utilization of present railroad equipment.
2. Develop improved types of rail, motor, water, and air transport equipment.
3. Determine costs of operation of motortrucks in various services by common, contract, and private operators.
4. Undertake a historical survey of transportation charges on agricultural commodities compared with industrial freight and other commodity groups.
5. Conduct a traffic and rate survey on individual agricultural commodities.
6. Investigate the effect upon agricultural traffic of Federal transportation and excise taxes.
7. Survey freight rates charged for the transportation of fertilizer.



8. Analyze the effect of Federal and State regulatory statutes and their administration upon the transportation and freedom of distribution of farm commodities by all agencies of transportation.
9. Undertake a study of factors that should be evaluated in determining the mileage and locations of improved farm-to-market roads.

In addition there were recommended for consideration the following problems, and each of the commodity advisory committees was asked to inform the Transportation Advisory Committee of the need for research into particular aspects of these problems:

1. Packaging, loading, and stowing practices.
2. Inefficiencies in present terminals, ports, and airports.
3. Loss and damage claims.
4. Adequacy of transit, reconsignment, and accessorial services.
5. Lack of reciprocal switching services.
6. Carrier rules and regulations, port and wharfage services, elevation and storage, operating practices of carriers, and similar services.

We have submitted specific work projects to carry out the recommendations of the Advisory Committee on the problems indicated as being of immediate importance, but determination has not yet been made of the amount of funds to be available for projects connected with transportation.

#### V. OUTLOOK ON CONTINUING PROJECTS

Far from the end of the war bringing an end to the transportation problems that came with it, the postwar years have seen increasing difficulties in maintaining adequate transportation facilities and car supply of the railroads. The number of boxcars and refrigerator cars in service has continued to decline and we have a smaller number of both than when the war ended almost two years ago.

While the volume of ton miles carried by the railroads has also declined, the character of the traffic, particularly that of an industrial nature, has changed radically, resulting in a considerably shorter average haul, but a larger number of carloads of freight to be originated. The effects of this course of events upon the carriers' ability to handle the volume of traffic currently being offered for transportation have already been described.



Assuming continued high levels of agricultural, mineral, and industrial production, we anticipate worse car shortages, particularly of boxcars, than have yet been experienced. Even if the goal of 10,000 new cars a month (all types of equipment) should be reached this year, it is our opinion that retirements of old and worn-out cars would so far offset the additions of new equipment that conditions would not be materially improved until mid-1948 or later, and even then would not have improved enough to justify cancellation of the heavy loading order and other abnormal restrictions upon use of railroad cars by the shippers of the country.

Within the limitations of the funds available for the work, we propose to devote major attention to the following projects that relate to utilization of carrier equipment and facilities during the coming year:

A. Traffic Forecasts

The forecasts of traffic movements indicate pending problems and difficulties and serve as a basis for other studies and work of the Division, as well as provide information to the carriers and regulatory agencies of value in the distribution of equipment. We hope that the funds available may permit all the present forecast work to be continued.

B. Refrigerator Cars

Prospective heavy production of perishables and stringent car supply will require continued attention to refrigerator car problems.

C. Grain Movement

One of the major problems of the 1947-1948 crop year will be in connection with the transportation of grain. Our concern with this problem is not limited to railroad transportation, but extends to truck and water transportation as well.

D. Water Transportation

The unsettled status of coastwise and intercoastal steamship operations has been outlined. When these matters have been clarified, the way will be open for examination of the possibilities for improved facilities for the transportation of agricultural products by water.

E. Truck Transportation

Work is now under way looking toward the improvement of motor vehicle equipment for the transportation of farm products, particularly grain and perishable commodities. That work will be continued and expanded, if funds permit.



F. Transportation Statistical Service

It is expected that we will continue to provide a variety of statistical information on traffic movements, requirements, and facilities for the transportation of agricultural commodities that has been required by the other branches of the Production and Marketing Administration, other agencies of the Department, other agencies of the Federal Government, and the Congress. Some of the numerous committees and subcommittees on which the Division serves in representing the transportation aspects of the agricultural program have been mentioned. Those services will be continued as far as is possible within the limitations of funds and personnel.



## TRANSPORTATION RATES AND SERVICES DIVISION

### Introduction

During the period of this report there have been important transportation changes. With a few known exceptions, every domestic rail, truck, and water freight rate applicable to agricultural and all other products has been substantially increased.

The specialists attached to the Transportation Rates and Services Division have completed their most active year in the history of the Division's existence. It is a safe statement to make that if this active program had not been pursued, present freight rates on products of the farm would be higher.

The country's transportation agencies - rail, water and truck - were successful in obtaining a higher rate scale because of their representations to the regulatory bodies, wherein they relied upon substantial increases in costs for labor, equipment, and other services; therefore higher freight rates were indeed an expected and inevitable inheritance. Farm products on January 1, 1947, received generally an over-all 17.6-percent increase, whereas other types of tonnage were assessed relatively higher increases, ranging from 20 to 25 percent. It will be recalled that rail carriers requested a horizontal increase of 25 percent. Other modes of transport, insofar as they could, have followed the lead of their rail competitors.

Competition between types of transportation during the past fiscal year has been restricted largely for the reason that every agency of transport has been called upon to haul an unprecedented peacetime tonnage. Indeed, far more tonnage has been offered than the carriers have had equipment to transport. In evaluating this situation consideration should be given to the heavier unit carloading directives of the Office of Defense Transportation requiring generally full capacity loading. These are still in effect and tend to increase carriers' earnings. Shippers and receivers must assume greater loading, unloading, and distribution costs because of such requirements.

During the first 25 weeks of 1947 rail carriers hauled 21,670,560 carloads of freight, or 2,654,698 cars in excess of the same 1946 period. This amounts to an average weekly increase of 106,188 cars. Net railway operating income of Class 1 railways for the first five months of 1947 exceeded those of 1946 by \$186,324,499, or 156.8 percent, according to an Interstate Commerce Commission preliminary release.

The schedule of activities of this Division in behalf of farmers during the past fiscal year included participation in litigation before the regulatory agencies in 138 formal proceedings. These events, of which some of the typical are recorded herein, are not to



be construed as a complete tabulation of all activities because there were many informal in character of considerable importance to farmers. A simple statement of monetary worth of the activities of the Division can be ascertained by examining the last several pages of this report.

We hope this report, in addition to summarizing the activities of this Division, will stimulate our readers to offer suggestions for improvement of the work. Such cooperation will enable us to extend our operations to include the handling of matters that might otherwise remain undiscovered by our transportation specialists.

At the end of this fiscal year, farmers' need for transportation assistance is more apparent than for any other period. A committee acting for all railroads has just filed a petition for another and immediate horizontal increase in the level of all freight charges. It seems likely that the Interstate Commerce Commission will hear their pleas.

The next event will be further increases because 1,350,000 operating and non-operating employees are seeking a 20-percent wage advance. If these wage increases are acquired even for a much lesser amount, it is a foregone conclusion that the railroads will seek additional freight rate increases, and, when granted, truck and water carriers will follow the precedent set by railroads.

The expected changes in Class Rates and Freight Classifications pre-  
sage numerous changes and adjustments, and the effect of these matters has an impact upon the farmer's income. For the aforementioned reasons this Division faces the most active future program of its existence. Indeed, it is going to tax the Division's entire resources to cope with these problems.

## 1. RAILWAY FREIGHT RATES

### A. Actions Involving Fruits and Vegetables

1. Car Rental Charges in New England - This subject has been reported on previously. However, as it was brought to a conclusion during the period covered by this report, it will be referred to briefly here.

It is the outgrowth of formal complaints filed by this Division, cooperating with various producer, shipper, and receiver organizations, attacking the practice of certain New England railroads of assessing a charge of \$5 per car per trip for the use of refrigerator or insulated cars for the transportation of perishable freight, which in this instance consists mostly of potatoes.

Similar charges in other sections of the country have been voluntarily discontinued by the railroads, and it was believed that this practice on the part of the northeastern carriers was illegal, unreasonable, and prejudicial.



Following formal hearings in the case, briefs were filed, exceptions to the examiner's report were made, and the matter was argued orally.

The Commission, in handing down its decision, declared that the practice of assessing a car rental charge in addition to the line haul rate was and is for the future unlawful and unreasonable, and the tariffs were canceled on March 10, 1947.

With average carload shipments of potatoes running in excess of 40,000 carloads annually from the State of Maine alone, this action resulted in savings in excess of \$200,000 per year.

2. Watermelons - Deficit Rule in Southeast - This proceeding was the result of attempts on the part of the southeastern carriers to cancel a so-called "deficit" rule in connection with shipments of watermelons from the Southeast to certain destination territory in the North.

Under this rule carload shipments of watermelons which become deteriorated in transit may be abandoned to the carriers at destination. Whatever salvage the carriers are able to obtain becomes the freight charges on that shipment, and no further recourse may be had upon the shipper.

After several attempts to cancel this rule, in each instance of which the Division was successful in having it suspended, the case finally came to hearing in April 1947.

Our representatives appeared at the hearing on behalf of watermelon shippers and producers, and gave evidence and submitted exhibits.

The case has been briefed, and the examiner's proposed report is now awaited.

3. Potatoes - Refrigeration Service in Southeast - During the war period when transportation facilities were short, the railroads serving the southeastern potato-shipping States obtained certain service orders which prohibited the icing of potatoes originating in the Southeast. The primary basis of these orders was that refrigeration of these potatoes was unnecessary because they had seldom been iced prior to the war.

Following the end of the war the potato producers and shippers involved, in order to regain their lost markets, proposed to install new methods of preparing their potatoes for market. One of these new methods was the installation of washing and drying machinery. Research of the Department and other agencies has proved that washed and dried potatoes, to be successfully transported, must be refrigerated to some extent.

When the Government agencies concerned refused to issue further prohibitions against the refrigeration of potatoes, the railroads published



a prohibition in their tariffs. The Division fought this tariff publication in committee, but it was published nevertheless. Following this publication protests against the action were lodged with the Interstate Commerce Commission. It was suspended and brought to hearing. At the hearing the Division, through several rate and scientific witnesses, assisted the southeastern producers and State commissions in their prosecution of the case.

The Commission decided that such action on the part of the railroads was illegal and unreasonable and ordered the railroads to cancel the offending tariff publication.

It is difficult, if not impossible, to estimate the savings to the southeastern potato shippers of this action, but we are informed that for the first time in many years southeastern potatoes are selling this season in the northern markets on a comparative basis with competitive potatoes.

4. Citrus Fruits - Florida to Northeast - Prior to World War II, by far the most of the citrus fruits originating in Florida destined to northeastern destinations adjacent to the ports were carried by steamship lines at very low rates. In order that the railroads might compete with these water carriers, they were permitted to maintain rates to the North Atlantic ports on a competitive basis with the water rates but higher than the rates to intermediate points. When the steamships were taken over by the Government during the war, these rates on citrus fruits were not disturbed.

When the steamship lines began to receive their ships back, they complained to the Commission that the rail rates then in effect should be increased to permit the water lines to increase their rates, which increase they said was necessary because of greatly increased operating costs.

The matter was heard by the Commission, and this Division took an active part in the opposition to any increases in rail rates.

In its decision the Commission withdrew the 4th Section permissions under which the railroads had been operating. However, the rates were not increased to the basis of the rates formerly prescribed by the Commission as just and reasonable. There were, however, increases amounting to from 8 to 10 cents per hundred pounds in the rail rates, which increases the water lines still maintain are not sufficient to permit them to operate profitably in this trade. It is expected that new rates will be published by the water lines, which will probably result in a further increase by the rail carriers. It will be the intention of the Division to take an active part in an endeavor to defeat any further increases.

5. Canned Goods - Texas to Northeast - With the resumption of coast-wise steamship service between the ports of Brownsville and Port Isabel,



Texas, and New York, the canned goods producers in the Rio Grande Valley of Texas requested through rail-water rates on their product through both ports. As a precedent they cited similar arrangements through the ports of Houston, Galveston, and Corpus Christi. In progressing their proposal, they solicited the assistance of this Division.

When negotiations were not successful, formal complaints were filed by the Texas interests and by the Division. Before the matter could be brought to hearing, the steamship lines involved changed their policy insofar as the port of New York is concerned. Negotiations are still pending on the rates from New York to northeastern destinations.

The published rates to New York are a reduction of approximately 13 cents per hundred pounds under a previous combination arrangement.

6. Fresh Fruits and Vegetables - South to North - Two cases involving these commodities resulted from action on the part of the northeastern carriers by which they proposed to permit certain so-called competitive emergency rates on vegetables and peaches from the South to the North to expire March 31, 1947.

Petitions to the Interstate Commerce Commission filed by Southern States public utilities commissions, the national trade organizations, and this Division resulted in a suspension of this action by the Commission. Hearings in these dockets are now set for July and September.

Should the northern carriers be successful in this endeavor, it will add approximately \$3,000,000 annually to the cost of marketing southern fruits and vegetables. The Division is preparing to take an active part in both these proceedings.

7. Other Fruit and Vegetable Actions - Numerous other items have been handled during the past year in connection with fruits and vegetables, fresh, canned, and frozen.

We were successful in having the Commission's order in Ex Parte 162 amended to place certain dry packed vegetables in their proper classification. We also assisted the frozen foods industry in having their product placed on the same basis as canned goods under this order in Ex Parte 162.

Railroads serving New York City and Philadelphia have proposed an unloading charge on fresh fruits and vegetables which will amount to approximately \$30 per car, or, based on 1946 records, in the neighborhood of \$6,000,000. We have had this matter suspended and will take an active part in the proceeding for the Interstate Commerce Commission.

We have assisted in negotiating reduced rates on potatoes and onions from the Pan Handle of Texas to interstate destinations.



The Division is now cooperating with the canned goods interests in negotiations with the rail lines for alternating rates and minimum weights which, if successful, should reduce the cost of shipping canned goods approximately 15 percent.

### B. Actions Involving Fertilizers

1. Phosphate Rock from Florida to Northeastern Destinations - For a low-grade heavy-loading commodity the rates on phosphate rock are considered to be on a level that exceeds a maximum reasonable basis. The American Agricultural Chemical Company filed a formal complaint, and interveners in favor of complainants consisted of the Consolidated Rendering Company, Armour and Company, International Minerals & Chemical Company, and the Department of Agriculture.

Although the Commission's decision rendered in 1945 reduced the rates 90 cents per gross ton, the proceeding has been reopened several times in order to fix the amount of reparations due complainants and interveners. The last order was dated March 10, 1947. Reparations now amount to more than \$90,000 and the savings created by the reduction are estimated at \$100,000 annually.

2. Dry Rendered Tankage in All Territories East of Rocky Mountains - The Official territory lines have contended that tankage should be subject to 27-1/2-K Column rates, the same as applicable on mixed stock and poultry feeds. Darling and Company and Kentucky Chemical Industries, Inc., filed formal complaints in which the Department of Agriculture and the Tennessee Valley Authority intervened in favor of complainants. All sought the application of Column 22-1/2 rates, the same as presently apply on fertilizers and fertilizer materials in Official territory. The Commission's decision was favorable to complainants and interveners, but due to various complications in providing the proper commodity description the rates did not become effective until April 10, 1947, a delay of approximately two years.

The freight savings as between Columns 27-1/2-K and 22-1/2 are estimated at \$150,000 annually in Official territory alone. It is thought that this decision will have a direct influence on the rates and ratings on similar commodities, especially in Official territory.

3. Defluorinated Phosphate Rock - Complaints were filed by two farmer cooperative associations and a processor of fertilizer materials, in which the Department of Agriculture intervened in favor of complainants seeking the application of fertilizer rates to defluorinated phosphate rock. These particular movements were from West Conshohocken, Pennsylvania, to various destinations in Official, Southern, Western Trunk Line, and Southwestern territories.

The Field Service Branch of the Production and Marketing Administration of the Department has purchased and shipped 573 cars containing approximately 23,000 tons of this commodity in the soil conservation program.



The decision of the Commission was not favorable, but exceptions were made in the rates applied on this material shipped by the Department of Agriculture. Reconsideration may be requested if the decision in a similar case in Southern territory results in a favorable decision as expected.

4. Bone Meal - The manufacturers of bone meal filed a complaint seeking rate parity with defluorinated phosphatic materials, and alleged that since these commodities were used interchangeably in the manufacture of stock and poultry feeds, a consolidated hearing with Dockets 29323, etc., was desirable. No objections were made to this request, but the complaint was dismissed by the Commission in the final report.
5. Phosphate Rock from Florida Mines to Southern Destinations - These complaints were filed by the International Minerals and Chemical Corporation, Davison Chemical Corporation, Swift & Company, Armour & Company, and the Tennessee Valley Authority, attacking the rates on phosphate rock from Florida mines to southern destinations. The Department of Agriculture intervened in favor of complainants and participated in the consolidated hearing in Atlanta, Georgia, September 10 to 14, inclusive, 1946. The examiner's proposed report was released June 25, 1947, and recommended reductions in the present rates ranging from 7 cents to \$1.27 per gross ton, with one exception where an increase of 7 cents is proposed. These recommended changes in the current rates are based on 75 percent of the applicable rates on fertilizers, and although reductions in general would result if the Commission adopted the proposed report, the complainants and intervener will file vigorous exceptions on July 25, 1947, to the basis and statements made therein. Our representative advocated that rates on phosphate rock should be made no higher than 10 percent of the first-class rate prescribed by the Commission in the Uniform Class Rates case Docket No. 28300, recently sustained by the United States Supreme Court. Such basis could be made uniform all over the United States and have a decided favorable effect on replenishing the soil and bring about increased agricultural productions.
6. Defluorinated Phosphate Rock in Southern Territory - Interested parties induced the Southern rail lines to establish and publish the fertilizer scale of rates on defluorinated phosphate rock in Southern territory. The bone meal manufacturers filed protests against this adjustment, and the Interstate Commerce Commission suspended the tariffs under I&S Docket No. 5432. The protestants did not furnish copies to this Division, and the suspension was accomplished without objections. Our representative requested a hearing before the Suspension Board in rebuttal to the protests. The suspension of the tariffs was vacated, but investigation was scheduled for hearing in Washington May 7 to 9, 1947. Several witnesses from the Department participated in the proceedings, and brief is due August 2, 1947. A favorable decision is indicated. Defluorinated phosphate rock is primarily a fertilizer and soil restorative; therefore, rates no higher than the rates applicable on fertilizers should be maximum reasonable rates for this commodity.



7. Superphosphate from Southern Origins to Western Trunk Line Destinations, also Fertilizers, etc., Within and Between Points in Southwestern and Western Trunk Line Territories - Because farmer cooperatives in Wisconsin and other States in Western Trunk Line territory had inaugurated the policy of buying superphosphate directly from southern producers, a representative from this Division appeared before the Southern Freight Association to advocate the establishment of one-factor through commodity rates.

The Southern lines adopted Column 16 rates and the Western Trunk Line Association concurred. However, when the rates were published, opposing interests protested these reductions along with increased minimum weights on fertilizers, etc., within and between points in Southwestern and Western Trunk Line territories. Interstate Commerce Commission I&S Docket No. 5436, suspending the tariffs, constituted the only notice received of the action taken, and the inherent right of rebuttal was requested by petition to the Suspension Board. The Suspension Order was modified to the extent that the tariff containing the reduced rates on superphosphate was released, thereby permitting the rates to become effective immediately. Subsequently the Southwestern and Western Trunk Lines withdrew the tariffs containing the increased minimum weights on fertilizer, etc., and I&S Docket No. 5436 was liquidated. Superphosphate is applied directly to the soil in conservation or rehabilitation programs, as well as being used as a component part in the manufacture of mixed fertilizers. Therefore, it is essential that equitable rates be maintained to further agricultural products. The application of these materials in Western Trunk Line territory has increased over 2,000 percent within the last 10 years, and much larger quantities will be required in the next 5 years to replace the top soils washed away in the floods of 1947.

8. Crude Phosphate Rock in All Territories - In Ex Parte 162, the Interstate Commerce Commission authorized increases of 15 percent subject to a maximum of 30 cents per ton (not otherwise designated) effective January 1, 1947, and when the carriers issued their tariff of "Increased Rates and Charges," No. 162, it was so published. In Supplement 4, effective February 24, 1947, the tariff was amended to authorize rates of 30 cents per net ton and 34 cents per gross ton. This Department immediately filed a protest against the proposed increase of 4 cents per gross ton, which was supported by protests filed by the National Fertilizer Association, Tennessee Valley Authority, Southern Acid and Sulphur Company, Stauffer Chemical Company, Cooperative G.L.F. Mills, and others, including individual members of the Fertilizer Association. Upon application by the carriers, the Interstate Commerce Commission granted special permission to withdraw the supplement. Tariff of "Increased Rates and Charges," X-162-A, canceled and succeeded Tariff 162, and then effective May 30, 1947, the same increase of 4 cents per gross ton appeared in Supplement No. 4.

A new protest was immediately filed pointing out the record of the previous attempt to penalize this essential commodity with an unauthorized



increase of 4 cents per gross ton. The second protest was supported by practically the same protestants, and Supplement No. 4 to Tariff X-162 was suspended under I&S Docket No. 5496. Under date of June 25, 1947, a hearing was held in Washington to investigate the lawfulness of the proposed increase, and briefs are due September 1, 1947. If the Commission should approve this increase, approximately \$300,000 per annum will be paid by the users of phosphatic materials in addition to the \$2,500,000 estimate that the original increase of 30 cents per ton will produce.

9. Reduction in Rates on Marl - Marl is similar to limestone and is used by farmers and the Department of Agriculture in the soil rehabilitation programs to lessen the acidity of farm lands. In some instances rates on limestone are applicable on marl, but in other instances rates on fertilizer apply. In Ex Parte 162 the Interstate Commerce Commission authorized an increase of 15 cents per net ton on limestone in open cars and 20 percent increase, with a maximum of 30 cents per net ton, in closed cars. Marl was not specifically named by the Interstate Commerce Commission in its report; therefore, the rates on marl were subject to increases of 20 percent with a maximum of 6 cents per 100 pounds or \$1.20 per net ton, whether in open or closed cars, the same as fertilizers and fertilizer materials.

This Department filed a petition with the Interstate Commerce Commission to waive Rule 101 in the Rules of Practice and give favorable consideration to the accompanying petition to reopen Ex Parte 162 insofar as marl was concerned. During the pending period the carriers were furnished copies of the petitions and requested to include marl voluntarily in the list of articles taking limestone rates because the differences in the increases created unreasonableness in the rates and undue prejudice against marl, as well as its users. The carriers immediately amended the tariff X-162 to limit the rate increases on marl to those applicable on limestone. In the states of Maryland, Virginia, and West Virginia it is estimated that the saving of \$1.05 per net ton will exceed \$150,000 per annum.

10. Fertilizer Rates in Virginia - The Virginia Rail Carriers have petitioned the State Corporation Commission of Virginia for increased rates on fertilizer. The hearing is scheduled for July 8, 1947, in Richmond, Virginia. We have intervened at the request of the Virginia Farm Bureau Federation and will participate in the proceeding through a witness, with appropriate exhibits, and an attorney. The carriers seek increases to the interstate basis of 20 percent with a maximum of 6 cents per 100 pounds or \$1.20 per net ton (Ex Parte 162), while the Farm Bureau Federation will attempt to hold the increases on the present level of 6 percent (Ex Parte 148) in accordance with the exceptions issued by the Virginia State Corporation Commission.

11. Reparation Claim on Limestone in Eastern Territory - While negotiations were being conducted to establish one-factor through commodity rates in the latter part of 1945, the Field Service Branch of the



Production and Marketing Administration of the Department forwarded several thousand tons of limestone to be used in the soil conservation program. After the rates became effective, the interested rail carriers agreed to submit claims to the Interstate Commerce Commission for reparation to the extent of \$13,200. The voluntary cooperation of the carriers involved is commendable.

12. Limestone Rate Adjustments - For the past 5 years readjustments in the rates on agricultural limestone have been consummated at frequent intervals. After a general over-all basis was established, point-to-point commodity rates were immediately published. Whenever attention is directed to public convenience and necessity, the carriers voluntarily publish commodity rates. The movement of this commodity amounted to approximately 50 million tons in 1946, about equally divided between commercial and that purchased and distributed by the Field Service Branch. During the period 1938 to 1946, inclusive, the Field Service Branch handled 71,368,847 tons. Since commercial shipments are about equal in tonnage, it can be conservatively said that more than 140 million tons have been applied to farm lands within the last 8 years with a reduction in rates estimated at \$2.00 per ton, the average difference between the old rates and the current basis. The freight savings could easily amount to \$250,000,000.

13. Limestone from River Mines, Missouri, to Illinois Destinations - The interested rail carriers were persuaded to establish and publish from River Mines, Missouri, to Illinois destinations, equitable one-factor through commodity rates on limestone. Eight Illinois producers filed protests against the basis but the shipper, initial carrier, and this Division were successful in having the protest denied. The tariffs carrying the rates became effective on 15 days' notice. These rates ranged from 20 cents to 55 cents per ton lower than the former rates. Since that time further reductions have been accomplished, and 22 additional destinations in Illinois have been included.

Efforts were also made to establish equitable commodity rates from River Mines, Missouri, to destinations in the Mississippi Valley based on 12 cents per net ton over the rates from Krause, Illinois. The Southern carriers failed to approve the proposal, but the matter will be revived at an early date. The reductions received brought freight savings of approximately \$200,000.

14. Limestone in Southwestern Territory - Southwestern Lines Tariff No. 162-T, carrying rates on agricultural limestone, contains items 1730 and 1790 which were scheduled to expire on June 30, 1947. This Department requested the cancellation of the expiration date as soon as possible but in the interim to continue the rates in effect. The carriers voluntarily extended the expiration date to December 31, 1947, and will give consideration to further extensions at that time.

15. Phosphate Rock - Reductions on phosphate rock from Florida Mines to various interstate points in Central Freight Association and Western Trunk Line destinations have been accomplished during this fiscal year.



Points in Indiana, Illinois, Iowa, Missouri, and Wisconsin are among the principal destinations. Reductions in rates on the same commodity have occurred from Western Mines to destinations in Missouri, Oklahoma, and other Western States. Also equitable commodity rates have been established in lieu of class rates previously applicable. This Division has been instrumental in accomplishing a large majority of these reductions.

16. Fertilizer Compounds - Equitable commodity rates on fertilizer compounds have recently been established from El Dorado, Arkansas, to various destinations in Southern territory, including Louisiana. The industry at El Dorado is manufacturing a new compound, and the carriers voluntarily published the commodity rates to encourage the movement. This Division supported the proposals before the Southwestern and other freight bureaus.

### C. Actions on Cotton

1. Cotton from Mississippi Valley Origins to Eastern Destinations via Barge Lines - The Chicopee Manufacturing Association filed a complaint in order to force the rail carriers to operate rail-barge-rail rates on cotton in 50,000-pound lots in connection with the American Barge Lines. Only three destinations were named in the complaint. The Department of Agriculture intervened in favor of complainants and requested that all Eastern cotton-consuming points located on the same lines and taking same rates be included in the scope of the complaint. This plea was granted, but hearing has been postponed from time to time, pending a final decision in the general barge lines case Docket No. 26712. Since no decision in the last mentioned docket is expected in the immediate future, hearing in this docket is not likely to be scheduled before the coming fall. A favorable decision will probably have a tendency to prevent exorbitant increases in all rail rates on cotton to Eastern mill points in the future.

2. Cotton from Southwestern Oklahoma Origins to Southern Mill Points with Stop in Transit at Gulf Ports - At the request of the Oklahoma producers and Texas cotton dealers, the Missouri-Kansas-Texas and Santa Fe Railroad Lines established one-factor through rates of 7 cents per 100 pounds higher than the rates via the short routes Memphis-Vicksburg, etc. After three years of consideration the Southern rail lines approved the proposed adjustment, but due to the objections of some merchants and others located along the short routes, the rates were published to expire June 30, 1946.

The Department of Agriculture, in conjunction with the Traffic and Transportation Bureau of New Orleans; Chambers of Commerce of Lake Charles, Louisiana, and Waco, Texas; and Cotton Exchanges of Dallas, Galveston, and Houston, Texas, filed protests against the expiration date and the combination of rates into and out of the Gulf Ports that would obtain if and when the recently established one-factor through rates expired. The rate schedules were suspended under I&S Docket No. 5414, and hearings were conducted in Dallas, December 9 to 14, inclusive, 1946, and



New Orleans, January 21 to 24, inclusive, 1947. Exhibits and testimony presented at the hearing by this Division showed that southwestern Oklahoma cotton producers were severely handicapped by inadequate storage facilities when compared with the Gulf Ports which forced utilization of storage facilities in other States; that one-factor through rates to the Gulf Ports did not apply through such storage points in Arkansas, Missouri, and Tennessee; also, that one-factor through rates to Southeastern mill points did not apply through Texas and Louisiana points, including Gulf Ports. Moreover, the recently established one-factor through rates via Gulf Ports were not unduly low to be unreasonable, and continuation of such rates was necessary for the future prosperity of the producer so that option of domestic or foreign markets could be exercised. A favorable decision is expected.

3. Cotton from Points in Alabama and Georgia to Gulfport, Mississippi, and New Orleans, Louisiana - When we learned that the Southern rail carriers were considering an upward revision of the carload rates on cotton from Alabama and Georgia to Gulfport and New Orleans, vigorous objections were filed. This only delayed the action determined on, and the increased rates were published to become effective April 8, 1947. This Division immediately filed a protest against these proposed increases. After supporting protests were filed by the Traffic and Transportation Bureau of New Orleans, the Chamber of Commerce of Gulfport, and the Mississippi-Gulfport Compress and Warehouse Company, the tariffs were suspended under I&S Docket No. 5481, and investigation was scheduled to take place in New Orleans July 21, 1947. Due to other litigations and commitments, postponement of the hearing has been authorized to a date yet to be selected.

The increases proposed by the rail carriers would create carload rates on a level higher than any other rates on cotton in any section of the country and would no doubt be used as a yardstick for future rates. In addition, the proposed rates were subject to the increases of 15 percent with a maximum of 10 cents per 100 pounds authorized by the Interstate Commerce Commission in Ex Parte 162, effective January 1, 1947.

4. Time Limit on Freight Bills - Under normal conditions transit privileges from storage, concentration, etc., are limited to a period of 13 months. World War II prevented the movement of cotton to foreign markets, and the carry-over plus the surplus from current production created stocks of approximately 25,000,000 bales. Many of these bales were from previous crops, and combination of rates into and out of storage points would be applicable on any bales more than 12 months old. This Department requested the carriers to extend the time limit each year, which was done voluntarily until it reached an over-all time limit of 48 months in Southwestern territory and 40 months in Southern territory. The carry-over has now been reduced to approximately 7,500,000 bales, and the carriers have reduced the time to 30 months, which, however, is scheduled to expire September 30, 1947. It is pertinent to point out that approximately 18 million of the old bales have moved on one-factor



through commodity rates, which represents a freight savings of more than \$12,000,000 or about \$1,500,000 per annum for the years involved.

5. Warehousing Privileges - The Southwestern Lines proposed to amend their tariffs so as to eliminate the States of Arkansas, Missouri, Louisiana, Oklahoma, and Texas from the list of points where cotton from California, Arizona, and New Mexico may be stored in transit. It was only two years ago that all possible storage and warehousing facilities were being utilized for cotton. Therefore, we considered the proposal too drastic for the present. Reconsideration was accorded and the States of Arkansas, Louisiana, and Missouri were restored to the list of transit destinations.

6. Cottonseed Hull Shavings and Cotton Linters Pulp - Reductions in the rates, ranging from 3 cents to 7 cents per 100 pounds, were effected through the voluntary action of the carriers on cottonseed hull shavings, pulp, and cotton linters pulp carload, minimum weight 40,000 pounds, from Hopewell, Virginia, to Charlotte, North Carolina, and Memphis and Chattanooga, Tennessee, to consuming points in the States of Georgia, Louisiana, North Carolina, and Tennessee. The resulting freight savings are estimated at approximately \$6,000.

#### D. Actions on Livestock

1. Livestock to, from, and within Southern Territory - For the past several years, Southern, Eastern, and Western railroads have had pending before the Interstate Commerce Commission a proceeding in which carload rates on edible livestock from, to, and within Southern territory were involved. This case directly affects the entire Southern and Official territory livestock rate adjustments. We have sought to preserve the prescribed southern livestock rates which this Division, farm organizations, and southern State regulatory commissions were able to obtain after an extended period of litigation.

The southern livestock adjustment was designed to foster and encourage the development of a substantial livestock industry in the South, and thereby stabilize agricultural conditions in that area. The adjustment placed the South on a substantial parity with other producing areas with respect to livestock rates, and it was therefore our purpose to defend it against any change in this position.

Moreover, the relief sought by the rail carriers, if obtained, would perpetuate serious rate discrimination, ranging from 2 to 5 cents per 100 pounds at important Ohio River markets, such as Louisville, Kentucky, and Evansville, Indiana. Livestock producers in Southern and Western territories normally market a large volume of fat and feeder livestock at these markets.

During the year past the Division prepared exceptions to an adverse report rendered by the Interstate Commerce Commission trial examiner and participated in the oral argument of the case before the Commission.



The National Livestock Producers Association, the American National Livestock Association, the National Wool Growers Association, and the Texas and Southwestern Cattle Raisers Association have also participated actively in the proceeding.

2. Combination Rates on Livestock and Other Agricultural Commodities -

The heavy carload movement of livestock from the vast producing area in the West to markets and feeding grounds in the East and South is entirely on the basis of prescribed combination rates. It has been our position that these rates have been subjected to double increases by reason of the failure of the rail carriers to comply fully with the finding of the Interstate Commerce Commission in Ex Parte No. 162. These extra increases are reflected back to the Western producers of livestock and add to their transportation burden.

The Division has in process of preparation a reply to the carriers' petition by which they seek to modify the Commission's finding, and thereby perpetuate these higher combination rates for the future.

Livestock producer organizations, such as the American National Livestock Association, the National Livestock Producers Association, the National Wool Growers Association, and the Texas and Southwestern Cattle Raisers Association contemplate taking similar action with respect to the combination rates on livestock.

Aside from the livestock, there is a substantial movement of fresh vegetables from Texas, Louisiana, and Idaho to Eastern markets subject to combinations of local rates which rail carriers have consistently refused to publish as through one-factor rates. Consequently, those who produce vegetables in large areas of the West are likewise penalized by a double increase of their rates. Since the whole question is currently before the Interstate Commerce Commission by reason of the carriers' petition, we plan to take action in conjunction with the fruit and vegetable trade to obtain full compliance with the Commission's order, and thereby hold down the increases of combination rates on agricultural traffic.

3. Fresh Meats and Packing House Products to Southern Classification Territory - Seventeen complaint cases are now pending before the Interstate Commerce Commission attacking, as unreasonable, the carload rates on fresh meats and packing house products to Southern territory from origins in Western, Southwestern, Central, Southern, and Eastern territories. Hearings will be held in the near future, and the Division plans to participate in behalf of producer interests which have requested our assistance in connection with the presentation of these cases to the Commission. We have in course of preparation a series of rate and statistical exhibits which will be presented at the hearings.

Because of the highly competitive relation of the rates on livestock and meats it is obvious that the outcome of these cases will materially affect rate adjustments and relations on the same traffic within and between other territories. Our position is that we are interested in



equitable charges and efficient transportation of farm and food products from the farm to the consumer - - whether the product is in the form of the live animal or in the form of meat.

These cases represent one of the most comprehensive proceedings that have come before the Interstate Commerce Commission with respect to the rates on this traffic. Various producer organizations of the Middle Western States and State Regulatory Commissions are complainants and will actively participate in the hearings.

4. Minimum Rates on Livestock from the South to Official Territory - By means of a tariff rule the railroads proposed to hold the higher Official territory border point rates as minimum on livestock from the South to the East. This proposal, if made effective, would have increased livestock rates from heavy producing areas in Kentucky and Tennessee from 2 to 22 cents per 100 pounds, and thereby left these rates grossly out of line with those from adjoining territories. Following the appearance of one of our staff before the Interstate Commerce Commission Board of Suspension the rule was suspended and later withdrawn. The savings thereby effected accrue to the benefit of the producers in the areas above mentioned.

5. Horses and Mules to Lower Mississippi River Crossings - The Division, in cooperation with shipper interests, initiated a proposal to cancel the bridge arbitraries of 2-3/4 cents per 100 pounds on horses and mules originating in all Western States and destined to Memphis, the largest horse and mule market in the country, and other Lower Mississippi River Crossings. The removal of these charges left the rates to Memphis in proper alignment with rates on the same traffic destined to markets in other territories east and north of Memphis, and removed the penalty against shipments to the latter market, with the resulting savings that are reflected back to producers in origin States throughout the Western district.

6. Livestock Rates under Ex Parte 162 - The Ex Parte 162 proceeding, sometime referred to as the 25-percent rail revenue case of 1946, occupied much of our time and effort during the last 12 months. In general, the railroads sought a general 25-percent increase in all freight rates and charges on agricultural traffic. The livestock evidence presented at the hearings embraced a showing as to the volume and trend of livestock traffic, the diversion of livestock tonnage from rail to truck movement during the past 25 years, and the effect of applying the increases to separate factors of combination rates. For many years we have been convinced that livestock traffic had been paying more than its share of the expenses of rail transportation and submitted evidence to substantiate this claim.

Effective January 1, 1947, the increase ordered on livestock traffic was 15 percent, while manufactured goods was made subject to increases ranging from 20 to 25 percent. For the country as a whole we calculate that the 5-percent lesser increase in the line haul rates on livestock results in a saving of \$4,778,000 if predicated on the volume of livestock traffic shown of record for 1946.



7. Proposal to Equalize Combination Rates on Livestock to the South - Livestock which moves from Western territories to the South is subject to combination rates made on the Lower Mississippi River Crossings, Memphis and South. We have actively supported a proposal now before the Southern Freight Association under which the Memphis combination of rates could be applied via East St. Louis on traffic from the West to destinations on the Gulf, Mobile and Ohio Railroad.

This proposal, if adopted, would shorten the time in transit, as St. Louis is a natural gateway for this movement. However, under present tariff arrangements shipments moving via St. Louis are subject to a higher combination of rates. In view of the increasing volume of livestock moving into the South, substantial benefits would accrue to producers in both the origin and destination territories. The proposal is now pending before the Carriers Rate Committee.

8. Hoof Weights on Livestock in Central Territory - Under a tariff provision of long standing freight charges on livestock at public markets have been assessed on the basis of hoof weights with adjustment for shrinkage allowance. The Central territory rail lines propose now to revise the tariff rule to provide that the expense of obtaining hoof weights shall be borne by the shipper. This proposal has been vigorously protested by us, and its final disposition by the carriers' committee is not known as yet.

It is apparent that the impact of this change would fall heavily on livestock producers who market their stock at large markets, such as Indianapolis, Cleveland, Louisville, Cincinnati, Columbus, and other points. It would mean higher charges on each shipment received at or consigned from these markets. Should the carriers decide to publish the charge, livestock producer organizations and the Division would have no recourse except to take the case to the Interstate Commerce Commission for adjudication.

9. Export Rates on Meats and Packing House Products via Gulf Ports - A revision of the export rates on fresh meats and packing house products moving via Gulf Ports as sought by many interests, including the Division, has been made effective. This action will permit the free movement of this traffic via the Gulf Ports from large producing areas of the Middle West and facilitate the handling of the Government's export food program.

#### E. Actions on Grain

1. Routing Grain in Central Territory - Much grain produced in the surplus Western grain growing areas finds its market in Central territory for processing into flour and animal or poultry feed.

In routing grain in the Central territory an important issue is the propriety of substituting, on grain and grain products, a higher combination of local rates over certain routes on traffic from Chicago,



Peoria, East St. Louis, and related gateways to destinations in Central territory, as well as on local traffic within the latter territory.

This Division participated in public hearings at Chicago, Illinois, and Toledo, Ohio, in January, February, and March of 1946. Testimony, supported by a series of 9 exhibits, was offered at these hearings.

The Division cooperated with the Office of the Solicitor in the preparation of a brief filed on September 16, 1946, and is now awaiting service of the Examiner's report. If the routing restrictions at issue are made permanent, interior processors in Indiana, Michigan, Ohio, and Western Pennsylvania will be at a serious disadvantage in handling Western grain and; conversely, Western grain producers will have their markets in that territory greatly narrowed.

These cases are important to the interests of producers not only because of the traffic therein involved, but by reason of the precedent that will be established in connection with the routing of other agricultural traffic in that territory.

2. Grain, Grain Products, and Mixed Feeds, Less Than Carload, in Official Territory - By exceptions to the Official Classification published to take effect June 20, 1947, in Central Trunk Line and New England territories, the carriers proposed to increase rates on animal and poultry feeds, less than carload, by 10 percent.

This increase is in addition to the recent class rate increase allowed in Official territory of 25 percent, under Ex Parte 162, effective January 1, 1947. Proposed rating represents an increase of more than 35 percent over rates and ratings in effect in 1938.

On June 10, the increased charges were protested by the Division, principally on the ground that the proposed increases constituted a piecemeal adjustment; that the resulting rates would be unreasonable; and that a discriminatory and prejudicial relationship would result thereunder, in that no corresponding increases were proposed on other articles rated Fourth Class and higher, and, further, that no corresponding increases were proposed in the carload rates on the same animal and poultry feeds.

By order of June 19 the Interstate Commerce Commission suspended the protested items until January 19, 1948, pending investigation.

Related increases in ratings in the Official Classification were published by the railroads to become effective June 30 on raw grains and various grain products when in bulk in standard packages (bags, boxes, and barrels). The changes involved an increase from Class 40 (40 percent of first class) to Fourth Class (50 percent of first class) and represent the same rating as now in effect on the same articles when packed in inner containers in shipping boxes, etc., in other words, at the same rating as in effect on "shelf goods," or goods packaged for the retail trade.



The proposed increased ratings represent an increase, in cents per 100 pounds, of 10 percent of the corresponding First Class rates and are in addition to the 25-percent increase recently granted to the carriers under Ex Parte 162.

In addition to the foregoing, there is now pending before the Commission a petition filed by the Official territory lines for substantial increases in all class rates covering less-than-carload traffic, which has not yet been acted upon by the Commission.

The Division protested the classification changes on June 19, alleging they were unreasonable and unlawful to the same extent as changes outlined above under the "Exceptions." The Commission acceded to our request, and the classification ratings were suspended until February 1, 1948, by order dated June 27, pending investigation.

These increases, in cents per 100 pounds, reflect higher costs, ranging from 50 percent to 100 percent over rates prior to the Ex Parte 162 increases of January 1, 1947. They are of primary interest to poultry raisers, dairy farmers, and others who feed poultry, cattle, and small animals for produce or food, and the increases would result in higher distribution costs to the detriment of producers and consumers.

The suspension of the increased ratings (and rates) for a potential period of 7 months should be of distinct benefit in holding down the cost of feed and food.

While we have not opposed increased charges by the carriers when found necessary, it is not believed, in this instance, that such increased charges should be installed in "piecemeal" fashion. On the other hand, if the carriers are in need of more revenue on less-than-carload freight, it is thought that the problem should be tackled as a whole so that fair rates and charges may be determined for all commodities and as between all small shippers.

3. Increased Grain Rates Suspended in East, West, and Southwest - Effective March 1, 1947, and various dates thereafter, the Eastern Trunk Lines, Central Freight Association Lines, Western Trunk Lines, Illinois Lines, and Southwestern Lines published a great many increased rates on grain, grain products, etc., in the territory extending from the Missouri River cities to the Atlantic Seaboard, and from the Great Lakes to the Gulf.

These increases, ranging from 1/2 cent to 1-1/2 and 2 cents per 100 pounds, were published by the railroads in purported compliance with the direction of the Interstate Commerce Commission in its report of December 5, 1946, in the Ex Parte 162 proceeding. In that proceeding the Commission granted permission to the carriers to increase rates on grain and grain products by 15 percent over the rates in effect on June 30, 1946. The Commission, in its report, directed the carriers, after the blanket 15 percent increases, to readjust the resulting rates to restore rate relationships and market, gateway and port equalizations, to adhere to the rate-break principles now in effect.



As the hundreds of supplemental tariffs were brought to our attention, a survey made at that time indicated the tariffs were being published on a well-developed pattern which reflected increases in excess of those contemplated by the Commission when it granted permission to increase the rates by 15 percent.

On February 18, 1947, the Division presented protest and request for suspension to the Interstate Commerce Commission, indicating reasons why the protested tariffs seemed to have been issued in contravention of the Commission's permissive order in Ex Parte No. 162. The protest was joined in and supported by various State Regulatory Commissions and producer organizations. The request for suspension was granted, and the Commission entered an order to that effect in I&S Docket No. 5465.

On March 15, 1947, a second protest and request for suspension was presented with respect to some belated increases published by the carriers from points in Illinois to Ohio River Crossings to take effect March 25, 1947. These increases were part of the general move to readjust rate relationships. The Commission also granted this suspension.

Following these suspensions the resulting situation, which was very unsatisfactory from the carriers' standpoint, was made the subject of a conference held in Washington on April 9 between various protestants and representatives of the Western Trunk Lines, Southwestern Lines, and Illinois Lines. The conference was unable to reach an agreement, and on the following day met with representatives of the Interstate Commerce Commission. The second conference was no more fruitful than the first.

The proceedings were consolidated by the Commission, and assigned for hearing in Chicago, Illinois, commencing June 10, 1947, before Examiners Arthur R. Mackley and George J. Hall, who have been in charge of general grain rate investigations by the Interstate Commerce Commission since the passage of the Hoch-Smith Resolution by Congress in January 1925.

The hearing continued through 5 days. Some 20 witnesses were heard, and more than 45 exhibits were filed. The Division was represented by a rate specialist and an attorney, and spoke for or cooperated with the National Federation of Grain Cooperatives, Producers Grain Corporation (Amarillo), and North Dakota Farmers Union, Fargo Chamber of Commerce, South Dakota Public Utilities Commission, North Dakota Public Service Commission, and Corporation Commission of Kansas.

Many representatives were present in the interest of various shippers' associations, Grain Exchanges, Chambers of Commerce, milling concerns, producers organizations, Boards of Trade, and others.

Hundreds of tariffs and supplements containing thousands of increased rates are under suspension, and it was impossible to deal with all of them. We presented a 32-page exhibit designed to show typical examples of each of the several different situations involved in the various rate territories.



is a further and important direct result of one aspect of the widespread suspensions the Western carriers found it necessary to reduce the proportional rates from Kansas City, Omaha, and Sioux City to Chicago from 18-1/2 cents to 18 cents per 100 pounds on all traffic destined to a large territory east of Chicago, including the Atlantic Seaboard. This reduction, in turn, made necessary corresponding reductions from country origins in the producing territory, such as points in Kansas, Nebraska, and South Dakota. These reductions became effective March 27, 1947, and are scheduled to expire September 30, 1947, unless sooner changed or extended.

While this proceeding is under consideration the lower rates will remain in effect to the distinct benefit of interested producers and consumers, and it appears likely that the greater portion of this year's grain crop will be enabled to move at the lower rates, reflecting considerable total savings to both producers and consumers.

4. Grain from Kansas and Colorado to Nebraska - The railroads filed a fourth section application with the Interstate Commerce Commission seeking authority to omit intermediate application of reduced rates on grain to Omaha. The question of whether or not such fourth section relief was granted was of no particular interest to this Division; consequently, the Department was not represented at the hearing held on the application. However, in the proposed report issued by the Examiners in charge, it was recommended that the relief sought be denied, also that the Commission should find that the rates established by the carriers are in violation of the findings and the order in Docket No. 17000 grain case. It was further proposed that immediate steps be taken by the railroads to cancel the rates, which would mean increases ranging from 1 to 6 cents per 100 pounds.

In an effort to prevent such increases from being imposed upon producers in the origin territory, we filed petition of intervention and brief of exceptions to the proposed report with the Interstate Commerce Commission on June 4, 1946. It was suggested that if the reasonableness of the rates is a question to be examined, it should not be decided without a further hearing on another record aside from the one made in connection with the fourth section application.

The Division also requested, in the event oral argument was granted by the Commission, that a reasonable time be allotted for it to prepare and present its views.

The case is still before the Interstate Commerce Commission, pending decision or assignment for further hearing.

5. Grain from Idaho, Utah, and Oregon, to Pacific Coast - This proceeding related to rates on grain and grain products from producing territory in Idaho and small portions of Oregon and Utah when destined to Puget Sound, Columbia River Ports, and points in California. The Commission, upon its own motion, instituted an investigation of these rates by order entered in Interstate Commerce Commission Docket No. 29335.



The hearing was participated in by the Division and by the Idaho Public Utilities Commission; various farm organizations; individual shippers; millers and elevator operators; various traffic representatives from California, Oregon, Washington, and Utah, including State Railroad Commissions; the Southeastern Idaho Grain Growers; Idaho Farm Bureau Federation; and Washington Co-op Farmers Association.

The producers' interest was presented to the Commission by the Department of Agriculture, including economic testimony by the Department's representatives at Portland, Oregon.

The proceeding brought out the fact that the Idaho producers were marketing their grain, principally wheat, under somewhat severe handicaps, as compared to their competing producers in other States. For example, (1) Idaho did not have a State grain inspection law, to insure proper determination of grade, moisture, protein, dockage, etc. (2) The Idaho producers in general did not sell direct to any market. Shipments went mostly to Ogden, Utah, which is not a regularly established grain market, and were sold mainly on the basis of a delivered price at San Francisco. This means that the producer, generally, was paying the freight to San Francisco. (3) The freight rates from Southern Idaho producing territory to San Francisco and other California destinations are relatively high in comparison with rates from other producing areas which also supply the California consuming territory.

We filed a brief which included recommendations as to the measure of the reduced rates which it was felt was justified by the testimony and evidence of record.

The Examiner's proposed report recommended some small reductions beneficial to the Idaho producers. More substantial reductions were made in the rates applying to certain destination territory, particularly in California. The recommended rates appeared to be inadequate from the standpoint of the producers, so a brief of exceptions was filed. It was suggested that the origin territory be grouped into 5 areas, and blanket rates published from each area, which would substantially ease the transportation burden now borne by the Idaho producers.

In response to requests for oral argument of the issues, the Commission set the case for argument on December 4, 1946, at which time our views were presented. The proceeding is pending decision by the Commission.

6. Grain Moving from Idaho to California via Klamath Falls Gateway - While the foregoing proceeding in Docket 29335 was in status quo following completion of the hearing, the carriers issued tariffs canceling through rates from Idaho origins to California destinations when routed by way of Klamath Falls, Oregon, to become effective August 23, 1946. The rates to be canceled were made on the basis of 11-1/2 cents over the rates of the more direct lines or routes, and cancellation of those rates via Klamath Falls would have produced very substantial increases.



Protest and request for suspension was made by this Division, and similar requests were made by other interested parties, including the Idaho Public Utilities Commission. The Commission granted the requests under an order in I&S Docket No. 5422, and assigned the matter for hearing at Boise, Idaho, on January 21, 1947. Briefs were filed on May 15, and the case is now before the Commission for decision, which probably will be made at the same time as the one in Docket 29335, to which it is related.

7. Grain Billed to "Hold Points" for Subsequent Reconsignment - This complaint attacks the charge of \$4.40 (now \$5.50) for reconsigning cars of grain from sampling points to Minneapolis, Duluth, or Superior markets after the inspection sample has been taken from the car, also the 24 hours of "free time" allowed for effecting that reconsignment, as inadequate for the orderly sale and disposition of grain and seeds. These rules and practices are attacked over a wide territory, including Oregon, Washington, Montana, Minnesota, Wisconsin, and North Dakota, as unreasonable and discriminatory.

This case was assigned for hearing at St. Paul February 24, 1947, and we were requested by the Minneapolis Chamber of Commerce and the North Dakota Farmers Union to participate in behalf of complainants and interested producers.

The Division filed a petition of intervention and was represented at the hearing in support of the producers' interest in obtaining reasonable rates and charges for the transportation of their produce to market. The application of certain Interstate Commerce Commission service orders imposing heavy penalties in freight charges for detention of boxcars at the so-called "hold points" is also involved.

It was submitted that the services for which the \$5.50 is assessed (and paid by the producers) are compensated for in the line-haul rates, that the collection of an extra charge is in violation of Section 1, and that its collection on some traffic and not on other similar traffic is in violation of Section 3 of the act as unduly prejudicial and preferential, which situation should be cured by an affirmative order canceling the charge but continuing the services for the benefit of producers.

This proceeding is pending before the Commission, awaiting decision or other disposition. Briefs were due June 23, 1947, and one was prepared and filed by the Department.

8. Cancellation of Reduced Rates on Grain - These cases have been fully reported in several previous reviews and will be touched upon here only to the extent necessary to furnish an outline for proper understanding of the proceeding.

The Midwestern railroads published temporary reduced rates on coarse grains for feeding purposes to meet motor carrier competition. The



railroads proposed to cancel these temporary rates. On protests of numerous producers, millers, processors, and feeders, the Interstate Commerce Commission suspended the new tariffs pending investigation in I&S Docket No. 5236.

After proper hearings at which we were represented, the Commission found the proposed rates unreasonable and ordered the lower motor-compelled rates retained subject to certain expiration dates. These dates were extended from time to time until July 1, 1945. Subsequently, a number of important Western grain-carrying lines filed independent notices of their intention to extend the rates for another six months, or until December 31, 1945.

We negotiated with the other lines participating in the tariffs, in an effort to have them retain their rates in effect. However, they decided to maintain their position that the rates should be allowed to expire, thus bringing about increases ranging from 5 to 10-1/2 cents per 100 pounds, or, expressed in percentages, ranging from 25 to 45 percent. The increases over these "hold out" lines were again protested, and request made for suspension and investigation by the Interstate Commerce Commission.

As indicated in our prior reports, the Commission, under I&S Docket No. 5350, suspended the expiring tariffs of the "hold out" lines until January 30, 1946. This action was in response to numerous protests by State Commissions, Boards of Trade, Chambers of Commerce, millers' associations, and individual concerns with whom we cooperated. The proceeding was set for hearing, briefs were filed, and the Commission decided December 18, 1946, that the proposed increased rates would be unduly prejudicial and preferential. It ordered cancellation of the schedules without prejudice to filing new schedules meeting the Commission's requirements.

After further negotiations by us and others, the interested lines concluded in January 1947 to eliminate the expiration dates governing the rates, and the lower rates are still in effect. It is proposed, however, that the carriers and interested shippers, including this Division, will get together in a conference to work out a basis of rates acceptable to both sides, as soon as possible.

9. Grain - Ex-Lake Moving from Duluth and Superior to Southeast - In carrying out a "feed wheat" program, the Commodity Credit Corporation made numerous carload shipments of wheat from Duluth and Superior to destinations in the South for use as feed for animals and poultry. The shipments went forward under "ex-lake certificates" which indicated only that the grain had been received by boat at Duluth-Superior. The wheat largely went directly to farmers for feeding purposes and to feed mills which handled the shipments under transit rules, with subsequent re-shipment as feed to consumers and dealers.

Because of different interpretations of the applicable tariffs of rates on grain ex-lake into the Southeastern States, various railroads sued the



Commodity Credit Corporation for undercharges amounting to approximately \$20,000 in the District Court at Minneapolis, Minnesota. The Corporation solicited our assistance in defending these suits, and one staff member devoted a large portion of his time to development of the defense and made several trips to consult with attorneys handling the case. These suits were tried commencing December 16, 1946, at Minneapolis, Minnesota. A representative of the Division acted as witness for the Commodity Credit Corporation. At the conclusion of the hearing the suits were taken under consideration by the Court, who asked that briefs be filed.

Briefs were handled through the office of the Attorney General, and the proceeding is still pending a decision.

10. Inspection in Transit when from Canada - A number of shipments involving this question were made by the field office of the Grain Branch of the Production and Marketing Administration at Portland, Oregon, and the Southern Pacific Lines filed suits against the Commodity Credit Corporation, as well as certain California shippers, to collect some \$6,200 additional charges based on combination of local rates on such shipments. The Division assisted the Office of the Solicitor in preparing an adequate defense of the Government's position to be presented in connection with the railroads' suits.

The precise question involved is whether an inspection of the grain made in Canada in compliance with Canadian law prevents two similar operations in the United States, as provided in the tariffs of the United States carriers. One such inspection is also required by law in the United States, and if another stop is taken in this country, the carriers contend the shipments are subject to combination of rates to and from the last stopping point, resulting in extremely high freight charges.

The Department's views, adverse to the contentions of the carriers, were transmitted by the Office of the Solicitor on May 29, 1947, to the Attorney General.

11. Grain Held for Orders and Reconsigned to Market Points - This complaint relates to the assessment against producers, of penalty freight charges ranging from approximately \$125 to \$175 per car, on grain held for disposition orders at Staples, Minnesota, thence forwarded to Minneapolis, Duluth, or Superior, after inspection has been made.

The penalty charges resulted from alleged violation of Interstate Commerce Commission Service Order 160, which suspended the carrier's tariff rules and made such shipments subject to the full local rates to and from the "hold points" as a means of discouraging unnecessary detention of cars during the car shortage.

Upon receipt of the Examiner's proposed report recommending dismissal, we filed petition for leave to intervene and permission to file



exceptions to the Examiner's conclusions. Our request was granted, and exceptions were filed February 10, 1947. The case was orally argued April 3, 1947.

The Commission decided the case on May 26, and completely reversed the Examiner's proposed findings. It found the assailed charges unreasonable and ordered refunds made or balance due bills canceled where charges had not yet been made. The decision turned upon the point that shippers had not received notice of the requirements under the Service Order, and therefore the purpose of the order—that is, to prevent delays to cars—could not have been achieved. The only result was to penalize shippers (producers) for unwitting violation of the Service Order.

12. Grain Moving from Golva, North Dakota, to Duluth for Account of Commodity Credit Corporation - In connection with the above subject, the Division is handling a claim for refund of approximately \$2,000 on 24 carloads of wheat forwarded for account of the Commodity Credit Corporation for export to the Army in Europe in 1945, involving similar questions under Interstate Commerce Commission Service Order 160.

It is anticipated that an early voluntary adjustment can now be obtained in view of the Commission's formal order referred to above, and action to achieve that end is now being taken for the benefit of the Federal Government.

13. Demurrage and Reconsignment Charges on Account of Maritime Strike - In carrying out the European and Asiatic food relief program the Grain Branch had many cars of export grain held at Gulf and Pacific Ports of exit or at interior points because of the inability of the ports to accommodate the traffic, because of the Maritime strike, together with resulting "blocked" elevators at the ports.

On these delayed cars the carriers presented bills for several thousands of dollars in reconsigning charges and penalty demurrage charges as applicable to domestic freight.

Upon request of the Grain Branch, this Division investigated the rate and tariff situation at both Gulf and Pacific Coast Ports. The Division concluded as a result of its study that the domestic charges were inapplicable, and recommended that payment of such charges be declined and claims for refund be filed with the carriers covering any such charges already paid to the railroads. The amounts involved are now being processed by Grain Branch officials.

14. Demurrage on Mexican Railway Cars Account Elevators Unable to Load for Export - New boxcars manufactured in this country for the Mexican National Railways were being transported to Laredo, Texas, for delivery to the Mexican authorities in May and June of 1946. Some forty-odd of these cars were placed in service for loading with Mexican-owned wheat in Kansas City. The shipments met with labor difficulties, as a result of which loadings were delayed and in some



cases cars were not loaded at all. Subsequently, the carriers rendered penalty demurrage bills for payment by the Commodity Credit Corporation.

We were requested to render an opinion as to the legality of the charges demanded. Our study led to the conclusion that no obligation rested upon the Corporation to pay such charges, and we recommended accordingly on the ground that the question involved only the railroads themselves--not the shippers.

#### F. Actions on Dairy and Poultry Products

1. Canned Milk, Fourth Section Orders, Reopened Water Competitive Applications - In an order dated July 19, 1946, the Interstate Commerce Commission directed the railroads to show causes why certain outstanding Fourth Section Orders covering shipments of canned milk and milk products should not be vacated or modified. Investigation by this Division revealed that canned milk shippers located in the States of Washington, Missouri, and Kansas, shipping to the State of Florida, would be made to pay rates over and above those presently in effect. We were informed of their direct interest in the matter because the present rates were not established solely on the basis of water competition. This office therefore went on record with the carriers involved, urging that they take necessary action justifying the retention of the present rates. Request was then made to this Division by the carriers and interested shippers to support the position of the carriers before the Interstate Commerce Commission. The Division went on record with the Interstate Commerce Commission requesting that the present rates remain undisturbed and that no change be made without full hearing. It appears that the Washington Fourth Section Order was eliminated from the list because of a prior increase, but on May 19, 1947, the Commission assigned for hearing the Missouri and Kansas Fourth Section Orders at a time and place to be determined, in which cases we will participate.

2. Proposed Changes in Packing and Inspection of Eggs - The Consolidated Freight Classification Committee issued a special docket on April 18, 1947, proposing changes in practically every rule and regulation affecting shipments of shell eggs. These changes were offered by the railroads as a means of minimizing the excessive and abnormal claim payments on carload shipments of shell eggs. Such claim payments have advanced to proportions never before experienced in the history of egg shipping.

The changes as proposed in the rules and regulations, if adopted, would practically eliminate claim payments. Carriers, in one instance, would recognize for payment only the portions of the shipments showing external evidence of damage; and no claims would be considered on cases showing concealed damage, thus limiting their liability for damage.

Many other changes proposed would result in producers being unreasonably penalized. The adoption of these regulations would merely shift the carriers' liability and responsibility on to the producers without in any way improving the operating conditions causing excessive damage.



A survey made by this Division revealed that some of the principal causes of damage are beyond the control of shippers, which only measures, applied to railroad handling, by railroad employees, would correct. Therefore, at two public hearings before the Consolidated Classification Committee this Division's representative submitted substantial testimony in opposition to the proposed changes. The issues in connection with this matter have not as yet been settled. Should the Committee adopt the proposed changes and publish them, the changes will be subject to the Interstate Commerce Commission's authority to suspend upon growers' or shippers' protest or upon its own motion.

3. Rate Adjustment on Butter, Eggs, and Dressed Poultry - A proposal was filed by interested Iowa shippers for the restoration of established differentials in rates applicable on carloads of eggs, butter, and dressed poultry when moving from Dubuque as compared with Mason City and other points in Iowa to destinations in Trunk Line territory. The request was for a downward adjustment in the Dubuque rates because the relationships were disturbed by an interim increase authorized by the Interstate Commerce Commission. Believing that any reduction in rates would aid considerably in the marketing of their merchandise, this Division went on record with the Western railroads asking that the proposal be adopted.

The railroads concluded not to adopt the proposal, and to cancel existing commodity rates on dairy products from points in Iowa and Minnesota to the East. Objections to this action were filed with the railroads. In response to a request the matter was docketed for reconsideration, and at a subsequent meeting carriers agreed to rescind their previous action.

In following this matter through the railroads redocketed a new proposal for the establishment of former relationships by making the rates from Mason City and other Iowa points higher than the present rates (including Ex Parte 162 increases) from Dubuque. This would have the effect of increasing, for example, the rates from Mason City to Eastern destinations by 1-1/2 to 2-1/2 cents. Upon receipt of this information the Division immediately protested to the railroads opposing the contemplated action. Protests were also filed with the railroads by interested shippers with whom we will join in formal litigation before the Interstate Commerce Commission should the railroads adopt the latter proposal.

4. Rates on Dairy Products - The Western railroads had before them a proposal to provide for the application of Column 33-1/2 basis of rates to be applicable on dairy products consisting of butter, eggs, dressed poultry, etc., from or to lower Missouri River crossings to or from Council Bluffs, Iowa, Omaha, Nebraska, etc., and to comply with the Fourth Section requirements. The same basis was proposed at intermediate points. Our investigation revealed that if this proposal were adopted, the present rating of Column 45 basis on the movement would be eliminated, and a reduction in freight rates would accrue to the shippers of dairy products in the territory involved. Therefore, the



Division went on record with the carriers expressing its desire that the carriers adopt the proposal, which the carriers did, and tariffs were amended effective upon statutory notice.

5. Inspection of Milk in Transit - A proposal was filed with the Western railroads requesting an additional transit privilege to be established to cover inspection on milk, condensed, dried, evaporated or powdered, at Chicago, Illinois, from certain stations on the Chicago & Northwestern System and connecting lines in Michigan, Minnesota, and Wisconsin when destined to Chicago or points beyond to which the transit station is directly intermediate between origin and final destination. We went on record with the carriers requesting the proposal be approved for early adoption because it would effectuate greater economy in operation by producers and also bring about greater efficiency in the transportation service performed by the carriers. In response to the request, the origin roads involved adopted the transit privilege, which action ultimately brought about the adoption of similar privileges by other lines on shipments from corresponding origin territory. The latest information received from one carrier was that its tariff was amended effective June 10, 1947, establishing the privilege at a charge of 4 cents per 100 pounds, not subject to Ex Parte 162 increase.

6. Minimum Loading Requirements for Eggs - The continued upward surge in claims and the payments thereof by the railroads have been for the past several years the cause of actions by railroads concerning eggs which were supposedly designed to bring the losses down to a minimum. In so doing, the railroads have overlooked one principal factor that we believe should be eliminated because it is the only untried attempt that may produce the objective sought if acted upon.

It seems that the prewar minimum carload weights applicable on carload shipments of shell eggs have proved themselves quite satisfactory, and these minima may be regarded as the highest point at which eggs can be shipped with a reasonable certainty of safety. Any loading higher than is shown below for the year 1941 should be regarded as being conducive to reasonable damage and consequent excessive claims.

<u>Year</u>	<u>Average tons per car</u> <u>of eggs originated</u>	<u>Claim payments by railroads on</u> <u>carload shipments shell eggs</u> (Dollars)
1941	11.42	115,860
1942	12.20	166,596
1943	15.65	368,528
1944	16.42	645,968
1945	16.33	1,300,723
1946	16.04	2,163,846

During the past year considerable effort was made by this Division to convince the Office of Defense Transportation that the heavier



loading rule effective on carloads of shell eggs since November 1, 1942, should be rescinded and the prewar loading minima restored. Many supporting statements and facts have been furnished the Office of Defense Transportation. The railroads, however, contend that the excessive damage is due from causes other than the heavier loading.

Despite railroad opposition, we will continue our efforts to have the heavier loading rule canceled.

7. Storage-in-Transit on Cheese - A proposal was filed with the Western railroads proposing the establishment of storage-in-transit privileges on cheese in carloads at Milwaukee and Cudahy, Wisconsin, in connection with shipments originating at stations on or beyond the Chicago & Northwestern Railroad when destined to stations beyond transit station to which transit destination is directly intermediate from point of origin. This Division, believing that the proposed transit privilege would give Minnesota and Wisconsin cheese shippers greater distribution channels through which they may market their cheese at lower transportation charges, went on record urging the adoption of the proposal. We are informed that the proposal has been approved.

8. Transit Privileges on Eggs - The Division was informed of an urgent need for the establishment of a joint through route over which a joint through rate would apply on carload shipments of eggs moving from mid-western points to New York, New York, and Jersey City, New Jersey, via Bridgewater, Virginia. It appears that a modern egg processing plant located at that point was operating on only a seasonal basis, purchasing carloads of eggs in the territory mentioned above, and after processing the eggs (breaking, canning and freezing), reshipping the outbound movement at the combination of local rates, which proved to be a very uneconomical operation. Therefore, this Division filed a petition with the carriers involved requesting that a through route be established over which the through rate would apply so as to permit also the establishment of the storage-in-transit privilege at Bridgewater, Virginia.

In response to this petition an offer was made by one of the railroads involved to establish the privilege in connection with certain other carriers at a charge of 22 cents per 100 pounds. This charge would include the out-of-route service as well as the transit charge on a movement from Elkton to Bridgewater and return, in addition to the joint through rates from origins to destination at New York, subject to Ex Parte 162 increases. The rate of 22 cents, we were informed, would result in a savings of 1/4 cent per pound as against present costs by truck, but due to certain other advantages the shipper finds it necessary to refrain from using rail service. Some of the complex rules and regulations involved in rail shipments which were recently established do not warrant this particular shipper accepting the aforementioned offer until the present rail disadvantages are removed. Our Division has passed this information on to the railroad for their further guidance and action.



9. Transit Privileges on Dressed Poultry - A proposal was docketed with the southwestern railroads proposing cancellation of storage-in-transit privileges currently published or approved for publication in agency and individual lines' tariff issues, applicable at points in the Southwest on carload shipments of dressed poultry originating at points on the Pacific Coast. Investigation by this Division developed that this proposal was inconsistent with previous action taken by the carriers in which they approved the establishment of such privileges. We therefore requested that the carriers continue to retain in force all storage-in-transit privileges on carload shipments of dressed poultry so as to keep open more distribution channels for the producers desirous of availing themselves of such privileges. In response to our request the proposal was canceled from the docket.

10. Transit Privileges on Butter, Eggs, and Dressed Poultry - In a proposal filed with the Western Trunk Line Committee the establishment of storage-in-transit privileges was requested on butter, eggs, and dressed poultry at Omaha, Nebraska, in connection with shipments originating at Le Mars, Iowa, and ultimately shipped to Chicago and Peoria, Illinois, and stations east of the Illinois-Indiana state line. In an endeavor to aid the Le Mars shippers in distributing their dairy products to competitive markets at through rates instead of paying the combination of local rates, this Division went on record with railroads asking that they approve the proposal for early adoption. Their Committee acted favorably on this proposal, and individual lines' tariffs affected will be amended accordingly, effective on statutory notice.

#### G. Actions on Wool and Mohair

The general wool freight rate investigation referred to in previous reports is now in its closing stages before the Interstate Commerce Commission. On May 10, 1947, our brief of 197 pages was filed with the Commission. Important references of a convincing nature on all phases to the transportation of wool were included therein.

Our brief was divided into nine chapters: (1) the history of the proceeding; (2) interest of the Department in the case; (3) the subject matter of the case; (4) the present wool rate structure; (5) in support of reasonable rates for the future; (6) transit arrangements; (7) proponents' proposed rates, minimum weights, and practices for shipping domestic wool; (8) character and qualifications of witness; and (9) summary of all evidence. The nine subjects were subdivided into more than 50 separate topics, with recommendations to the Commission for findings in the case. Counsel for the Department relied upon precedent established in 44 cases, referred to in the brief, to sustain the various points that were made in behalf of the producers of domestic wool. In addition, descriptive references were made in an appendix outlining the qualifications and past experiences of the 101 witnesses on the side of the wool producer. These witnesses, highly



experienced on the subjects handled by them, did an excellent job in the presentation of the case on behalf of the wool producer.

Perhaps the most important part of our brief is contained in Chapter 7, which has been designed to show the rates proposed that should be assessed for the future. These recommendations include a substantial reduction, and there was a unanimous agreement among the entire group of proponents as to the equitability of the scale set forth. In support of our proposal we have relied upon the Commission's own established formula and presently prescribed rates on other products, together with actual applicable rates voluntarily established by the railroads.

In addition to the over-all brief of the Department of Agriculture, there were many others filed with the Commission for and on behalf of the following organizations:

American Farm Bureau Federation  
Iowa Farm Bureau Federation  
National Farmers Union  
North Dakota Farmers Union  
Montana Farmers Union  
National Wool Growers Association  
National Livestock Producers Association  
National Wool Marketing Corporation  
Texas Sheep and Goat Raisers Association  
Pacific Wool Growers Association  
State Wool Growers Associations  
    Arizona                      Oklahoma  
    California                  Ohio  
    Colorado                    Oregon  
    Idaho                        Utah  
    Iowa                         Virginia  
    Kentucky                    Washington  
    Nevada                      Wisconsin  
    New Mexico                  Wyoming  
    New York

State Wool Marketing Associations  
    Colorado                    New Mexico  
    Colorado-New Mexico        North Dakota  
    Eastern Idaho               Oregon-Washington  
    Western Idaho               Utah  
    Michigan                    Wyoming  
    Nevada

16 State Public Utilities Commissions

4 Packing companies (Swift, Cudahy, Armour, and Wilson)

3 Chambers of Commerce (Fargo, North Dakota; Minot,  
North Dakota; and Galveston, Texas)

Livestock Traffic Association, Fort Worth, Texas



Utah Department of Industrial Development  
Wilkins & Company  
Rocky Mountain Textile Mills  
American Cotton Manufacturers Association

(The above lists should not be confused with the entire group of organizations that appeared in the case, but on account of their territorial requirements being similar to other interests, some decided not to file separate briefs.)

The wool freight rate general investigation was an outgrowth of work of this Division in studying rates on wool. This study showed that rates were too high in comparison with rates on other commodities. Resolutions passed by the National Wool and Mohair Associations at their annual meetings requested the Department to conduct a comprehensive survey of all rates on wool. The survey was undertaken by this Division in 1941. The outgrowth of the detailed examination was a petition filed with the Interstate Commerce Commission by national wool organizations requesting a general investigation of all rates on wool and mohair within the United States. The Secretary of Agriculture endorsed the petitions by letter to the Commission. On June 22, 1942, the Commission complied with the request and promulgated what has become known as Docket No. 28863 - General Investigation of Wool and Mohair Rates.

Hearing dates at various points were set, but completion of testimony and exhibits was delayed because of the war and other causes that made it necessary to ask that hearings be held in abeyance. The docket was canceled from the calendar of the Commission.

Representatives of the Department of Agriculture held several meetings in 1944 with representatives of State Public Utilities Commissions, wool producers and marketers, farm organizations, and others interested in the transportation of domestic wool for the purpose of ascertaining the advisability of requesting the Commission to reopen the investigation.

The Department filed a petition on November 6, 1944, which was supported by 29 State Public Utilities Commissions and State Agricultural Departments, requesting the Commission to reopen Docket No. 28863 and proceed with the investigation. The petition was denied. We filed a second petition with the Commission which resulted in the case being reopened on May 7, 1945, and hearing dates were again set.

The case finally came to hearing with the taking of testimony on February 13, 1946, at Chicago, Illinois, and in order, was continued at Fort Worth, Texas; Denver, Colorado; Salt Lake City, Utah; Portland, Oregon; and San Francisco and Los Angeles, California. At all hearings approximately 3,000 pages of testimony were presented by the wool proponents in addition to 132 exhibits by 101 witnesses. The carriers introduced 69 exhibits through 15 witnesses and consumed about 900 pages of testimony.



The final steps in the litigation before the Interstate Commerce Commission, if considered necessary, is a brief of exceptions to the examiner's report when it is released, followed by oral argument before the Commission at a date yet to be set. It is hoped that a final decision and order will be received in this case before the 1948 wool clip commences its movement to market. The wool case is the largest single effort yet made by this Division directed toward changing the freight rates on a particular commodity.

#### H. Other Rail Freight Rate Actions

1. Transit Privileges on Soybeans and Products on the Pacific Coast - During the war years, the Department of Agriculture promoted tremendous increases in agricultural crops, especially oil-bearing plants and seeds. The crushing plants for normal crops of soybeans were inadequate to take care of the increased production, and the Commodity Credit Corporation contracted with cottonseed and other vegetable oil mills to perform that service. After the contracts had been consummated with Pacific Coast crushers, it was found that certain railroad tariff restrictions prevented the products crushed at Los Angeles from moving into North Pacific territory and products crushed at Oakland from moving into South Pacific territory on through rates.

Formal complaints were filed in 1943 by the California Cotton Oil Corporation and Albers and Company, in which the Department of Agriculture intervened in favor of the complainants. Spencer Kellogg & Sons, Taylor Milling Company, Globe Milling Company, and others also intervened. The decision of the Interstate Commerce Commission was not satisfactory, and rehearing and reconsideration were granted. The final decision was entirely favorable to the complainants, and the transit barriers were ordered removed. Also, undercharges were ordered waived, and reparation was awarded. The Commission reopened the case several times during the last fiscal year, and reparations have been awarded in excess of \$25,000. During the war years freight savings were estimated to exceed \$1,000,000 annually. Savings in postwar years are conservatively estimated at \$200,000. This action removed discrimination against the Pacific Coast industries and was considered salutary to the economy of that section.

2. Rates on Sugar - The rates on sugar are closely interrelated, and when reductions are made in one rate, others must necessarily follow. Recently it was pointed out that the rates from New Orleans, Louisiana, to St. Joseph, Missouri, and points taking same rates, were 61 cents all rail and 57-1/2 cents barge-rail per 100 pounds, based on a minimum weight of 60,000 pounds. Rates of 56 cents all rail and 52-1/2 cents barge-rail, minimum weight 100,000 pounds, were established. Readjustment of rates to and from other points is now being progressed. Rates from Florida and Georgia are also being revised with consistent reductions being accomplished.



3. Imported Castor Oil Beans - Baker Castor Oil Company filed a formal complaint with the Interstate Commerce Commission on March 9, 1946, against certain Trunk Line rail carriers, alleging that the rates on imported castor beans from Atlantic ports of entry to Bayonne and Jersey City, New Jersey, are excessive, unjust and unreasonable, are therefore in violation of Section 1 of the Interstate Commerce Act, and are preferential to Cleveland, Ohio, and prejudicial to Bayonne and Jersey City, New Jersey, by comparison, therefore in violation of Section 3 of the Act. The Department intervened in behalf of the Commodity Credit Corporation in favor of the complainant, as did also Spencer Kellogg & Sons. Hearing was duly conducted on October 2, 1946, briefs have been filed, exceptions taken to the Examiner's proposed report, and oral argument delivered. Final decision is due in the early future. Reparation of approximately \$10,000 for the Commodity Credit Corporation and equitable rates for the future are sought.

4. Green Coffee from Tampa, Florida, to Houston, Texas, and Kansas City, Missouri - J. A. Folger and Company, importers of coffee, filed a formal complaint with the Interstate Commerce Commission to force the establishment of equitable rates on green coffee imported through Tampa, Florida, destined to Houston, Texas, and Kansas City, Missouri; also to recover as reparation excessive freight charges paid. The Commodity Credit Corporation was involved in the movement to the extent of \$6,484.95 on 8 carloads to Houston, and \$3,051.50 on 9 carloads to Kansas City. The Interstate Commerce Commission rendered a decision favorable to the complainant, and reparation was awarded.

## II MOTOR FREIGHT RATES

Transportation of agricultural commodities from the farm to the market and to the processing plant and the movement of farm supplies back to the farm by motortruck have reached surprising proportions. Contract and common carriers, as well as farmer-owned trucks, play an essential role in the orderly marketing and distribution of fruits and vegetables, dairy and packing house products, cotton, canned goods, tobacco, live-stock, poultry, and hundreds of other products of the farm. Moreover, without the service of these motor carriers and the use of their own trucks, the vast quantities of fertilizers, feeds, machinery, fuels, building materials and miscellaneous items used by the farmer in the production of the nation's food supply could never be distributed to the millions of farms at the proper time or in the quantities necessary to sustain production.

While adequate data are not available indicating the tonnage and ton miles of the various types of agricultural commodities and farm supplies transported by the private, contract, and common motor carriers, it is generally admitted that agricultural products and farm supplies constitute a substantial portion and, in many instances, all of the business of some of the carriers in each group. Such data as are available indicate that 57 percent of the livestock received at stockyards in 1946 were delivered by trucks; that of the live poultry received in



Philadelphia in 1946, 97 percent arrived by truck, and that the comparable figure for New York City is 88 percent. In 13 of the primary markets of the country, 40 percent of the fresh fruits and vegetables received in 1946 were delivered by truck, and all of the milk received in 75 metropolitan areas was transported by truck.

Butter, cheese, eggs, and dressed poultry move to primary markets by truck in ratios exceeding 25 percent of total receipts.

The role of the motortruck in our agricultural economy is further emphasized by the fact that more than a third of all the trucks and a tenth of all the trailers and semi-trailers in service are engaged in the transportation of agricultural products and farm supplies at all stages of distribution.

The cost of transporting his products to the market place, to the processing plant, and eventually to the consumer is a matter of major concern to the farmer, for in the end the net price he receives for the fruits of his labors is dependent in large measure on the cost of transporting those fruits to the consumer. Similarly, the transportation charges associated with the purchases of supplies used on the farm has a direct and important bearing on the total cost of production and consequently on the farmer's net income at the end of the year.

Since the Congress placed upon the Department of Agriculture the responsibility of appearing in behalf of the interests of agricultural producers before State and Federal regulatory agencies controlling the rates of motor carriers, we have participated in a number of formal cases before the Interstate Commerce Commission involving the rates of common motor carriers, and made extensive studies of their revenue needs and financial condition. These studies indicate that motor common carriers experienced considerable difficulty during 1945 in adjusting their operations to peacetime conditions. However, 1946 saw substantial increases in volume of traffic and marked improvement in operating revenues. Figures just released by the Interstate Commerce Commission (June 12, 1947) covering 1,408 Class I common carriers of property operating in inter-city service show that net operating revenues increased from \$1,692,982 in 1945 to \$31,690,912 in 1946.

Similar improvements are indicated for the first quarter of 1947, and while data for the second quarter are not available as this report is written, there appears to be continued improvement over the same period in 1946.

Despite this favorable showing, motor carriers were given special permission by the Interstate Commerce Commission to apply the same increases to their rates as were authorized to be applied to rail rates in Ex Parte 162. These increases generally became effective during the last half of the fiscal year. They ranged from 20 to 25 percent above the rates in effect on March 17, 1942. In this connection, motor carriers



in a number of rate territories had already increased rates on less volume traffic from 10 to 35 percent, and on volume traffic from 10 to 12 percent since March 17, 1942.

As a result of special permission granted by the Interstate Commerce Commission to make effective on short notice the 20 and 25 percent increases referred to above, the rates on volume shipments (truckloads and shipments weighing more than 5,000 pounds) were generally increased 10 to 15 percent, and in some territories the rates on less volume shipments were increased 10 percent or more.

The foregoing increases became effective without suspension, and in cases where the rates on less volume shipments were not increased more than the corresponding rail increases, investigations were either not ordered at all or canceled. It seems clear, therefore, that motor carriers will be permitted to apply the increases granted to the railroads in Ex Parte 162 without showing a need therefor.

In those cases involving increased motor carrier rates affecting the movement of agricultural products and farm supplies where opportunity has been afforded to present evidence, the Department has submitted extensive exhibits, testimony, and briefs showing the lack of need for increased rates. Most of these cases are pending before the Interstate Commerce Commission, and an appraisal of the Department's contribution toward maintaining low-cost transportation for the farmer cannot be made until the Interstate Commerce Commission has decided the cases.

A more detailed description of the formal motor carriers' rate cases in which the Department has participated during the past year follows:

A. Petition for General Investigation of Motor Common Carrier Rates

After the decision of the Interstate Commerce Commission granting the railroads a general increase in freight rates of 20 percent (Ex Parte 162), motor common carriers quite generally indicated that they would file tariff supplements increasing their rates up to, and in the case of less volume traffic, higher than, the rail rates. Since the railroads had been required to justify at public hearings held for that purpose the increases granted to them, and since motor carriers play such a vital role in the agricultural economy of the country, the Department filed a petition with the Interstate Commerce Commission on December 27, 1946, requesting a consolidation suspension and investigation of all such motor carrier proposals. This petition, if granted, would have maintained the level of motor carriers rates and charges until after the need therefor had been established at public hearings. On February 10, 1947, the Interstate Commerce Commission voted to deny the petition.

B. Motor Carrier Rates in Central States Territory

The Central States Motor Freight Bureau filed tariff supplements effective February 28, 1946, which established arbitraries ranging from



1-1/2 cents to 19-1/2 cents per 100 pounds on shipments weighing less than 5,000 pounds. While the Interstate Commerce Commission permitted these increases to become effective, an investigation was ordered. Hearings were held in October and November 1946, and Examiner's Proposed Report was issued on May 20, 1947. In this proposed report, the Examiner found that the evidence was insufficient as a basis upon which to make a finding of the reasonableness of the increases, and that many inequities and discriminations existed in the rates of Central States carriers. While this case was pending, the carriers sought to establish further general increases on small shipments and any quantity rates. These were suspended by the Interstate Commerce Commission. Simultaneously with the issuance of the suspension order, the Commission stated that it would grant special permission to the carriers to file supplements to their rate tariffs increasing their rates to 125 percent of the rates in effect on March 17, 1942, during the pendency of the proceedings. Pursuant to this permission, the carriers filed supplements as indicated. Later, they petitioned the Interstate Commerce Commission for permission to withdraw the suspended schedules and to discontinue the proceedings. The Division filed its reply to the petition and pointed out that the increases made effective under the special permission actually resulted in raising rates on truckload traffic 12 to 15 percent (the 15 percent being on agricultural products) above the rates in effect prior thereto; that no formal investigation of the revenue needs of the carriers in the Central Region had been made since before the war; and that the effect of granting the petition would be to continue the increases indefinitely. The foregoing cases have been consolidated for hearings which are scheduled to begin in Chicago on July 31, 1947. The Division is actively participating in these proceedings.

### C. Motor Carrier Rates in Middle Atlantic Territory

On April 15, 1946, motor carriers in Middle Atlantic territory were permitted by the Interstate Commerce Commission to make effective increases of 4 percent on volume shipments (6,000 pounds and over) and 15 percent on less volume shipments (under 6,000 pounds) on interstate traffic, both intra-territorially and inter-territorially, between Middle Atlantic territory and New England territory and between the same territory and Central States. The Commission simultaneously ordered an investigation of the reasonableness of these rates, and hearings were held in Chicago and Washington late in 1946. These hearings were held jointly with the hearings in the Central States territory cases. Numerous parties in interest, including shippers and shippers' organizations, participated in the hearings. We presented both economic and rate testimony and filed a brief in the case. The matter is pending before the Interstate Commerce Commission at the close of the fiscal year.

While the general increases in rates referred to in the preceding paragraph were under consideration by the Interstate Commerce Commission, the motor carriers in Middle Atlantic territory on January 6, 1947, made



effective further general increases averaging, according to estimates of the carriers, 5.79 percent. The Department of Agriculture and shippers' organizations protested, but the increases were permitted to become effective without suspension. These increases are now the subject of the Commission's investigation. Hearings were held in April 1947, in which the Division participated. The Department cooperated effectively with the shippers' interests in the preparation and presentation of evidence at the hearings. After the conclusion of the hearings, the carriers filed a petition seeking further hearings to be held in August 1947 after a "test period," when the facts would show, they alleged, whether or not the increases were justified. To this petition, the Department filed a reply pointing out that the carriers had failed to justify the increases at the April hearing after full opportunity had been afforded them to do so, and that further hearings would merely serve to postpone unduly the determination of the reasonableness of those rates. The matter is pending before the Interstate Commerce Commission at the close of the fiscal year.

D. Increased Rates to, from and within the South,  
Increased Rates within the South and between South-North

Motor carriers in Southern territory filed proposals to increase rates 20 percent on shipments weighing up to 2,000 pounds with a maximum of 20 cents per 100 pounds, and to increase rates 10 percent on shipments between 2,000 pounds and 5,000 pounds with a maximum of 10 cents per 100 pounds. No increases were proposed on volume shipments of 5,000 pounds and over or on truckloads. These increases became effective on May 20, 1946, over the protests of numerous shippers. (They are the subject of the Commission's investigation in I&S M-2721, insofar as they exceed the increases authorized by special permission referred to hereinafter.) Under special permission of the Interstate Commerce Commission, the carriers made effective on March 12, 1947, increases of 20 percent intra-territorially and 22-1/2 percent inter-territorially, between points in Official territory and points in Southern territory, over the base rates in effect on March 17, 1942. In addition, they sought to apply a further increase of 15 percent on shipments weighing less than 5,000 pounds, moving both intra-territorially and inter-territorially. This proposal was suspended. Hearings in these two cases were held in Atlanta beginning May 5, 1947. The Division participated in these proceedings and presented evidence at both hearings.

E. Motor Carrier Rates in New England Territory

Hearings on the general 10 percent increase made effective by the New England motor carriers on April 15, 1946, were held at Boston on October 30, 1946, and the Department's brief was filed on December 12, 1946. The Examiner's proposed report upheld the contentions of the motor carriers in toto and recommended that the proceedings be discontinued. Because it appeared that the Examiner had made numerous errors in his analysis of the accounting and statistical information submitted



in the case, the Department filed exceptions to the report on May 15, 1947. This case is pending before the Commission at the close of the fiscal year.

In addition to the increases made effective on April 15, 1946, information has been received to the effect that the New England carriers have agreed to seek further general increases of 10 percent subject to a maximum of 2 cents per 100 pounds on truckloads, and an increase of 25 cents on all minimum charges for single shipments. This proposal is now being studied by the Department to determine whether or not it will participate in the proceedings.

#### F. Increased Rates in Middlewest Territory

The carriers, through the Middlewest Motor Freight Bureau, published "interim increases" under special permission granted by the Interstate Commerce Commission of 20 percent intra-territorially above the rates in effect on March 17, 1942, and 22-1/2 percent inter-territorially. At the same time, they canceled the 6 and 3-percent increases published following the rail increases authorized in Ex Parte 148. In addition to these increases of 20 and 22-1/2 percent, they published a charge of 10 cents per 100 pounds on shipments weighing less than 5,000 pounds and 4 percent on truckloads and volume shipments weighing more than 10,000 pounds with a minimum of 2 cents per 100 pounds. These proposals and the revenue needs of the carriers were the subject of a hearing at Kansas City, Missouri, beginning May 25, 1947, in which we participated. Evidence submitted by the Division was directed primarily to the financial condition of the respondent carriers in support of the position that the carriers were not in need of increased revenues. The case is pending before the Interstate Commerce Commission. Briefs are due on July 3, after which a decision will be forthcoming.

#### G. Estimated Weight of Pacific Coast Eggs

Carriers of the Pacific Inland Tariff Bureau of Portland, Oregon, docketed for consideration a proposal to increase the estimated weight on cases of shell eggs from 53 to 60 pounds each. The effects of such action, if adopted, would be far-reaching, because all other trucking bureaus and, most likely, the railroads, would follow suit by establishing the same estimated weight throughout the country. Such over-all action could result in having the egg transportation bill increases by several million dollars.

If the rail shipments are any criterion in estimating in dollars what such an increase of 7 pounds in the shipping weight of eggs might mean, then the following will indicate such potentialities: The 1945 rail transportation bill would have been \$1,971,575 more than what was paid. The 1946 transportation charges on shell eggs would have been increased by \$1,516,540, which figures are based upon actual tonnage handled by the railroads in those years.



After initial protests were filed by some producer interests and this Division, the Bureau amended the proposal for the consideration of actual weights. Considerable confusion and hardship would result for egg shippers by this amended proposal because the present estimated weight of 53 pounds has been used consistently since 1912. Unofficial weight tests made at various times have indicated the over-all average weight of all sizes of eggs, in all kinds of containers, has been closer to 53 pounds than any other weight. Therefore, it was generally felt throughout the industry and by this Division that the present estimated weight should remain undisturbed.

A member of our staff, together with producer and trade representatives, called upon the representatives of the trucking bureau at Portland directly initiating the proposal, and one other at Los Angeles, to protest the contemplated carrier action. The protests were later confirmed in writing, further indicating that any change in weight adopted by the carriers would not be acceptable unless corresponding reductions were made in the line haul rates applicable on the shipments involved.

On April 22, 1947, at a regular meeting of the trucking bureau, the aforementioned proposal was canceled from the docket, but this matter is by no means a closed issue because the railroads are now making weight tests in various parts of the country. It is anticipated that they will file proposals along the same lines. At such time we shall endeavor to protect the interests of the producers in keeping their transportation charges at a minimum.

### III WATER CARRIER RATES

The maritime and waterway activities during the past fiscal year have centered around the orderly resumption of water transportation and the maintenance of an adequate postwar merchant marine. However, in this endeavor it has been our duty to protect the interests of the producer of agricultural products from the imposition of increases in transportation and accessorial charges any higher than are absolutely necessary to insure prompt and efficient service and still be reasonably compensatory.

It is alleged that most of the present maritime difficulties are largely due to the disproportionately increased cost of postwar steamship and barge operation when compared to either the railroads or the motor carriers. Decreased labor efficiency, high wages, archaic handling methods, in addition to the necessity of replacing worn-out and prewar ships with new vessels costing over a million dollars each are claimed to be the controlling factors now faced by the water lines.

The competitive situation between the water carriers, railroads and motortrucks has been an important aspect of the rate and litigation activities during the past year. The Division has presented evidence and testimony before the Interstate Commerce Commission and the Maritime Commission in 16 separate formal proceedings. In addition, there were



7 informal matters handled either between the rate regulating agencies of the railroads or water carriers involving adjustments relating to domestic or export agricultural traffic.

Included in the above formal actions were 5 dockets of the Interstate Commerce Commission relating to the proposal to increase water competitive rail freight rates, particularly in transcontinental and Pacific Coast territories, in order to permit the water lines to raise their rates. These cases are still before the Commission, and additional hearings will be held, even though an interim increase of about 10 percent has been ordered.

Also included in the year's activities were the sponsoring of applications to the Interstate Commerce Commission for 3 new coastwise and intercoastal steamship operations; participation in a case involving a 13-cent increase in rice rates from Gulf to North Atlantic ports; and an investigation and suspension docket involving some 85 supplements to tariffs quoting rates on traffic via Gulf Ports in which the lines proposed to discontinue the wharfage charges.

Before the Maritime Commission, continued representations were made with reference to the proposed formula for assessing port charges on the Pacific Coast; additional handling of increased car loading and unloading charges at Pacific Coast Ports; filing of briefs in the Pacific European Conference case, which involved features thought detrimental to agricultural traffic moving in foreign trade.

The above summary covers only the highlights of the water and water related subjects handled, but conservative estimates reflect a saving to the agricultural interests for this fiscal year of about \$1,500,000.

#### IV MISCELLANEOUS ACTIVITIES

##### A. Services to Other Agencies

Activities of the Rate Investigation and Compilation Section of the Division were augmented by a decision of the Interstate Commerce Commission in Ex Parte No. 162 allowing the carriers to increase all freight rates by variable amounts both as to commodity and territory. The decision not only had the effect of changing the status of terminal markets but necessitated adjustments in freight rates throughout the United States, including agricultural products and all other commodities.

The Section was expanded in January 1946 by the addition of personnel from other agencies and set up to prepare and furnish rate schedules via all modes of transportation to agencies of the Department that require such information in the formulation of their policies. It is equipped with fully qualified personnel and a tariff library containing many thousands of volumes pertaining to rates, rules, regulations, and laws of transportation that enables the Section to conduct and furnish comprehensive research and technical compilations of freight rates and



related data on agricultural products, animals and products, and other commodities for the service of other administrations, bureaus, and offices of the Department.

Some of the duties of the Section are those of obtaining group rate adjustments and special accessorial arrangements, analyzing rate levels on products of agriculture and their relationship to the rate levels of other commodities, and handling other assignments pertaining to the transportation of farm products and supplies for agencies in the Department involved in the transportation of Government-owned tonnage.

The actual saving to these agencies within the Department effected through rate adjustments for the fiscal year ending June 30, 1947, amounted to \$257,480. The total number of rates compiled and furnished to 26 offices and agencies within the Department during the period from July 1, 1946, to June 30, 1947, was 101,833.

Rates were quoted on fertilizers, fertilizer materials, limestone, marl, seed, grain, cotton, nursery stock, fruits, vegetables, livestock, dairy products, wool, farm implements, tractors, trucks, office equipment and supplies, household goods, and many other commodities and accessorial charges.

All service activities in the Division for other agencies are paid for by transfer of funds from such agencies, so this work does not require funds appropriated by the Congress for work in obtaining freight rate adjustments on agricultural products.

#### B. Refrigeration of Perishable Freight

1. Half Stage Icing of Refrigerator Cars - During the war, when ice supplies were inadequate at times, we induced the Interstate Commerce Commission to order the railroads to permit the use of half stage refrigeration at charges of 78 percent of full service. This service and the charges were eventually published to expire 6 months after the end of the war, or as later published, December 31, 1946. Strong representations were made by us together with perishable shipping interests, the result of which was an extension of the service and charges until December 31, 1947.

2. Test of New Refrigerator Car for War Department - The Transportation Corps Board of the United States Army constructed a refrigerator car to operate on narrow gauge railroads. In order to determine the efficiency of this car against cold and heat, the Department of Agriculture was requested to conduct a series of refrigeration and heater tests in a car testing laboratory located in Alexandria, Virginia. A member of our staff conducted 9 tests in a car testing laboratory simulating various climatic conditions, and a detailed report has been prepared for the War Department.



3. Split-Absorption Refrigerator Car Tests - One of the major problems facing the frozen food industry is proper refrigerator car equipment to transport its commodities safely over great distances. In tests previously conducted by the Division using water ice and salt as a refrigerant, the best commodity temperatures obtained were from 5 to 15 degrees above zero.

A new system of refrigeration has been developed using anhydrous ammonia as a refrigerant which maintains air and commodity temperatures of approximately zero. The frozen food industry requested that the Division conduct a test with this new system of refrigeration adapted to a refrigerator car in the car testing laboratory located in Alexandria, Virginia, on a carload of frozen tangerine segments. This test has been conducted, and the results were satisfactory. A report has been prepared and distributed to interested persons in the frozen food industry and to the railroads.

4. Refrigerator Car Improvements - The present fleet of refrigerator cars are very badly run down because of excessive use. In many sections of the country, the private refrigerator car lines have not been able to place their cars in shops for minor or major repairs. A member of our staff has been appointed to a committee established for the purpose of developing a more efficient refrigerator car. The work is carried on in cooperation with the frozen food industry, fresh fruit and vegetable industry, dairy and poultry industry, railroads, private refrigerator car lines, and the Association of American Railroads. This Committee develops and assigns projects for various types of refrigeration and heater service tests to be conducted in order to develop data to aid in improvements. At present new cars are being constructed which include most of the suggested improvements made by representatives of this Committee.

The Association of American Railroads originally set the program for 2 years and has recently extended its operation for another year.

#### C. North Dakota Transportation Institute

Representatives of the Division participated in a State transportation institute conducted by the North Dakota Farmers Union on January 17 and 18, 1947. This conference afforded us a valuable opportunity to exchange information with producers and their organizations and to gain a better insight in connection with their transportation needs. Likewise, we had the opportunity to explain to them the transportation work that the Division is doing pursuant to Section 201 of the Agricultural Adjustment Act of 1938 and Public Law No. 733 of the 79th Congress.

#### D. Revision of Interstate Commerce Commission Freight Commodity Statistical Classification

During the year a much needed revision of the freight commodity classification used by the Interstate Commerce Commission for statistical purposes



was completed. The last revision was made in 1928. In virtually every formal case that is presented to the Interstate Commerce Commission our transportation specialists have occasion to use these data, which are particularly valuable in general revenue cases such as Ex Parte 162. In response to a request from the Commission we submitted detailed suggestions for revision of the classification provided for agricultural commodities. The addition of many new classes will facilitate the development of more accurate comparison of the tonnage originating and terminating in all the States and territories.

#### E. Carload Traffic Studies - 1939 Series

After extended negotiations an agreement was reached with the Interstate Commerce Commission and the Bureau of the Budget by which we will receive, as completed, a full and complete tabulation of point-to-point movements, rates, and distances taken from the 1939 waybill study for the entire list of agricultural commodities. This 1939 traffic test was initiated by the Board of Investigation and Research and, upon its termination, was taken over by the Interstate Commerce Commission. The tabulations that we will receive will be of material aid for the study of traffic flow of agricultural commodities and of rate levels, and will be useful as background material in the preparation of rate evidence for hearings before the Commission.

#### F. Class Rate Investigation of 1939

Shortly after the Division commenced operation in 1939 and before it was equipped to participate in proceedings of great magnitude, proceedings known as the Class Rate Investigation of 1939 and proposed changes in the Consolidated Freight Classification were instigated. However, a representative of the Division did appear as an observer at the pre-hearing conference and the first hearing and intervened in the proceeding, and we have continued to keep in close touch with the case because of a realization that it would ultimately affect many if not all of the rates on agricultural commodities.

On May 12, 1947, the Supreme Court of the United States sustained the order of the Interstate Commerce Commission in these proceedings. Thus the way has been cleared for the Interstate Commerce Commission to proceed with further steps toward making its interim order effective and toward the final uniform rail class rate adjustment within and between all territories east of the Rocky Mountains. At this time it is impossible to determine the full extent to which either the interim rates or the ultimate adjustment may affect agricultural commodities. It is assumed that some revision of the interim rates and the ultimate uniform scale as prescribed will be made in order to reflect the general rate increases of Ex Parte 162 authorized subsequent to the order in the class rate case which was entered on May 15, 1945. The ultimate equality of class rates contemplated will await the completion of the new uniform freight classification on which the rail carriers are presently at work.



We are informed that as this work is completed, dockets will be issued embracing various groups of articles in the new classification. While the precise effect of the decision cannot presently be determined, it is reasonably clear that eventually it will bring about profound changes in existing rate structures and materially affect rates on many agricultural commodities. The Division will continue to follow the proceeding closely and participate in matters of interest to agricultural producers in connection with the multitude of rate changes that will be forthcoming in the future.



V. STATEMENT OF ESTIMATED SAVINGS TO PRODUCERS FROM  
TRANSPORTATION SERVICES UNDER SECTION 201  
OF THE AGRICULTURAL ADJUSTMENT ACT,  
1939 TO JUNE 30, 1947

<u>Name of Action</u>	<u>Estimated Annual Saving Fiscal Year 1946-1947</u>	<u>Savings Prior to July 1, 1946</u>	<u>Cumulative Saving to June 30, 1947</u>
<u>Grain:</u>			
Ex Illinois River to East (I&S Docket 4718)	\$ 493,304	\$ 2,713,172	\$ 3,206,476
<u>Grain:</u>			
Bulk-Heading Charge in West and Southwest	150,000	825,000	975,000
<u>Rice:</u>			
Southwest to Florida Ports	512,000	2,304,000	2,816,000
<u>Flaxseed:</u>			
Chicago to East	30,000	135,000	165,000
<u>Hay:</u>			
Nevada to Oregon 1943 only	---	1,100	1,100
<u>Grain - Government Owned:</u>			
Transit Rules at Ohio River Points (I&S Docket 5249)	8,000	23,300	23,300
<u>Grain:</u>			
Crosstown Switching Charges at Kansas City, Mo. Canceled	2,121	9,544	11,665
<u>Grain - Government Owned:</u>			
Refunds on overcharges	5,000	---	5,000
<u>Rice:</u>			
Southwest to Northeast via Gulf Ports 1942 only (I&S Docket 5083)	---	72,187	72,187



<u>Name of Action</u>	<u>Estimated Annual Saving Fiscal Year 1946-1947</u>	<u>Savings Prior to July 1, 1946</u>	<u>Cumulative Saving to June 30, 1947</u>
<u>Frozen Meat:</u>			
Saved to U.F.A. by Eliminating Refreezing at Ports	---	\$8,537,500	\$8,537,500
<u>Frozen Foods:</u>			
Defeat of Proposed Increase In Refrigeration Charges	356,400	819,000	1,175,400
<u>Fresh Fruits and Vegetables:</u>			
Defeat of Proposed Increase in Price of Ice Charged by Railroads in California	845,973	2,455,129	3,301,102
<u>Refrigeration Charges:</u>			
Cost of Ice Increase in Southeast	40,192	385,000	425,192
<u>Live Poultry:</u>			
Free Return of Caretakers in Eastern Territory	42,000	652,300	694,300
<u>Vegetable Oils Imported:</u>			
Suspension Increased Rates Account CCC (ICC Docket No. 27747)	---	1,519,137	1,519,137
<u>Fertilizer:</u>			
Canada to S.E. Points	---	9,000,000	9,000,000
<u>Limestone:</u>			
Between All Points in U.S. Suspension 3 percent in All Rates	---	3,038,575	3,038,575
<u>Liming Materials:</u>			
In Official Territory	25,000,000	62,950,743	87,950,743
(AAA) Commercial	25,000,000	80,000,000	105,000,000
<u>Marl:</u>			
Va., W.Va., and Md.	31,500	---	31,500
<u>Cotton:</u>			
Truck Rates in North Carolina	7,200	19,000	26,200



<u>Name of Action</u>	<u>Estimated Annual Saving Fiscal Year 1946-1947</u>	<u>Savings Prior to July 1, 1946</u>	<u>Cumulative Saving to June 30, 1947</u>
<u>Cotton:</u>			
Southwest to Virginia	\$ 3,100	\$ 9,760	\$ 12,860
<u>Cotton:</u>			
Southwest to Southeast and East	5,560,000	32,558,850	38,118,850
<u>Cotton:</u>			
California-Arizona to Southeast, Northeast and Canada	51,000	2,314,020	2,365,020
<u>Cotton:</u>			
Southwest to Alabama and Georgia	12,000	68,690	80,690
<u>Cotton Bale Covering:</u>			
General	---	106,792	106,792
<u>Phosphate Rock:</u>			
Florida to Kentucky and Missouri	66,583	143,074	209,657
<u>Superphosphate:</u>			
Proposed change in Classification Stopped	1,785,000	3,958,500	5,743,500
<u>Superphosphate:</u>			
South to West	150,000	---	150,000
<u>Cotton Linters:</u> General	42,500	42,500	85,000
<u>Phosphate Rock:</u>			
New Jersey and Mass.	99,000	90,000	189,000
<u>Phosphate Rock:</u>			
Illinois, etc., AAA	17,000	---	17,000
Commercial	80,000	---	80,000
<u>Phosphate Rock:</u>			
All Territories 4¢ per gr. ton 6 mos. Jan. 1 to June 30	160,000	---	160,000
<u>Limestone:</u>			
Missouri to Illinois	745,800	678,000	1,423,800



<u>Name of Action</u>	Estimated Annual Saving Fiscal Year <u>1946-1947</u>	Savings Prior to <u>July 1, 1946</u>	Cumulative Savings to <u>June 30, 1947</u>
<u>Soybean Transit:</u> In California	\$ 200,000	\$ 1,000,000	\$ 1,200,000
<u>Cotton:</u> Extension of Freight Bills	1,750,000	7,500,000	9,250,000
<u>Oil, Soybean, and Corn:</u> Increased Rates Postponed until 8/15/45 CCC (ICC Docket No. 28553)	—	4,202,600	4,202,600
<u>Sugar:</u> Defeated Cancellation Transit Privileges (CCC) (ICC Docket No. 29078)	—	9,344,612	9,344,612
<u>Livestock:</u> To, from, and within the South (I&S Docket No. 4779)	150,000	512,500	662,500
<u>Livestock:</u> Pick-up in Illinois, Iowa and Wisconsin (ICC Docket No. 28216)	180,000	1,060,000	1,240,000
<u>Livestock:</u> Loading and Unloading (I&S Docket No. 5129) Charges at Chicago	180,000	748,905	928,905
<u>Livestock:</u> Rates in Western District (ICC Docket 17000-9)	500,000	2,416,000	2,916,000
<u>Livestock:</u> Loading and Unloading Charges at Cleveland, Ohio (F.D. Nos. 14038 and 14718)	9,600	17,600	27,200
<u>Livestock, Exhibition:</u> (I&S Dockets 5149-5174) 1943 only	27,000	45,000	72,000



<u>Name of Action</u>	<u>Estimated Annual Saving Fiscal Year 1946-1947</u>	<u>Savings Prior to July 1, 1946</u>	<u>Cumulative Saving to June 30, 1947</u>
<u>Export Rates-Government</u>			
<u>Traffic:</u>			
(ICC Docket No. 29006)	\$ 3,570,000	\$10,000,000	\$13,570,000
<u>Terminal Charges:</u>			
Pacific Coast Ports			
(I&S Docket No. 5146)	850,000	2,450,000	3,300,000
<u>Fruit and Vegetable</u>			
<u>Containers:</u>			
Used, Returned	50,000	1,650,000	1,700,000
<u>Wharfage Charges:</u>			
California Ports			
(M.C.Dockets Nos. 632-651)	48,500	215,500	264,000
<u>Bridge Arbitraries:</u>			
At Memphis and Lower			
Mississippi River Crossings			
(Docket 29366 et al.)	40,000	40,000	80,000
<u>Bridge Arbitraries:</u>			
Horses and Mules	10,000	---	10,000
<u>All Commodities:</u>			
Transit at Gulf Ports			
when forwarded by Water			
(I&S Docket No. 5176)			
1942-1945	---	1,077,672	1,077,672
<u>Wool:</u>			
New Mexico to Boston	38,150	153,499	191,649
<u>Wool:</u>			
Oregon and Washington to			
Boston	77,175	330,250	407,425
<u>Pineapple:</u>			
Florida to U.S.	6,000	40,500	46,500
<u>Watermelon:</u>			
Loading Rules in South			
(I&S Docket No. 4785)	80,000	432,500	512,500



<u>Name of Action</u>	<u>Estimated Annual Savings Fiscal Year 1946-1947</u>	<u>Savings Prior to July 1, 1946</u>	<u>Cumulative Saving to June 30, 1947</u>
<u>Citrus Fruits:</u>			
Increase in Estimated Weights (I&S Docket No. 4786)	\$ 12,000,000	\$ 55,875,000	\$ 67,875,000
<u>Potatoes:</u>			
Maine to South 1940 to 1943	---	120,000	120,000
<u>Apples:</u>			
Pacific Coast to East 1942 to 1943	---	1,560,000	1,560,000
<u>Potatoes:</u>			
Maine to East and South 1944-1945	---	550,000	550,000
<u>Vegetables:</u>			
Idaho and Oregon to South (I&S Docket No. 5061)	67,000	226,400	293,400
<u>Vegetables:</u>			
Idaho and Oregon to East (I&S Docket No. 5091)	78,000	195,000	273,000
<u>Canned Goods:</u>			
Florida to Pacific Coast	40,000	195,000	235,000
<u>Canned Goods:</u>			
Texas to East	115,000	210,000	325,000
<u>Vinegar:</u>			
North Carolina to South (I&S Docket No. 5233)	1,200	2,950	4,150
<u>Onions:</u>			
Texas to Southeast	14,000	72,500	86,500
<u>Vegetables:</u>			
Texas to North and East	605,000	2,190,000	2,795,000
<u>Frozen Foods:</u>			
Pacific Coast to East	11,000	21,700	32,700



<u>Name of Action</u>	<u>Estimated Annual Saving Fiscal Year 1946-1947</u>	<u>Savings Prior to July 1, 1946</u>	<u>Cumulative Saving to June 30, 1947</u>
<u>Vegetables, Mixed Cars:</u> Texas to Northeast (I&S Docket No. 5218)	74,000	180,000	254,000
<u>Peaches:</u> North Carolina to U.S. (I&S Docket No. 5306)	4,000	9,500	13,500
<u>Peaches:</u> South to North	400,000	---	400,000
<u>Eggs:</u> Pacific Coast to East	6,200	115,000	121,200
<u>Citrus Fruit:</u> Florida to Northeast	250,000	---	250,000
<u>Canned Foods:</u> Texas to New York	18,000	---	18,000
<u>Potatoes:</u> Maine to U. S.	50,000	---	50,000
<u>Vegetables:</u> South to North	750,000	---	750,000
<u>Butter:</u> Portland, Oregon to California	---	33,000	33,000
<u>Eggs:</u> Arbitrary Claim Rule	800,000	500,000	1,300,000
<u>Cheese:</u> Pacific Coast to East	1,160	45,500	46,660
<u>Eggs:</u> Maine to Boston, Mass. (Via Motor Carrier)	---	94,500	94,500



<u>Name of Action</u>	<u>Estimated Annual Saving Fiscal Year 1946-1947</u>	<u>Savings Prior to July 1, 1946</u>	<u>Cumulative Saving to June 30, 1947</u>
<u>All Agricultural Commodities:</u>			
Ex Parte 148-162-General Rail Rate Cases	\$ 69,458,898	\$262,500,000	\$331,958,898
<u>Motor Carriers: 1/</u> General Rate Increases	<u>35,198,674</u>	<u>178,321,612</u>	<u>213,520,286</u>
Totals: (See Note)	\$188,996,230	\$761,684,673	\$950,680,903

1/ These savings apply to all freight moved by motor common carriers of property. It is not possible to estimate the savings on agricultural products and farm supplies transported by such carriers because no reliable data are available showing the volume of this particular class of freight. Hundreds of such carriers have special Interstate Commerce Commission authority to transport agricultural products and farm supplies. Moreover for-hire carriers, other than regulated common carriers, haul substantial tonnages of farm products and supplies. The general level of these charges is related to the prevailing common carrier rates so that changes in common carrier rates are reflected in these for-hire charges.

Not included in these figures are estimated savings of 3 percent on California intrastate traffic and 25 percent covering grain products and livestock moved intrastate in Oklahoma.

Note:

The figures in the above table cover only the measurable savings resulting from cases in which the Division has participated. Many other actions have been taken which brought monetary benefits, the amounts of which cannot be determined.



VI. NUMBER OF ACTIONS TAKEN DURING FISCAL YEAR 1947  
AFFECTING EACH OF THE STATES

1. Alabama	50	25. Nebraska	43
2. Arizona	32	26. Nevada	32
3. Arkansas	57	27. New Hampshire	37
4. California	44	28. New Jersey	43
5. Colorado	44	29. New Mexico	43
6. Connecticut	37	30. New York	48
7. Delaware	43	31. North Carolina	52
8. Florida	54	32. North Dakota	39
9. Georgia	55	33. Ohio	45
10. Idaho	37	34. Oklahoma	52
11. Illinois	52	35. Oregon	41
12. Indiana	48	36. Pennsylvania	48
13. Iowa	52	37. Rhode Island	38
14. Kansas	59	38. South Carolina	50
15. Kentucky	51	39. South Dakota	36
16. Louisiana	59	40. Tennessee	50
17. Maine	38	41. Texas	59
18. Maryland	43	42. Utah	34
19. Massachusetts	38	43. Vermont	38
20. Michigan	39	44. Virginia	56
21. Minnesota	50	45. Washington	39
22. Mississippi	49	46. West Virginia	41
23. Missouri	63	47. Wisconsin	53
24. Montana	38	48. Wyoming	36